

ATHENS UTILITIES BOARD

FINANCIAL REPORT

JUNE 30, 2015

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Report of Independent Certified Public Accountants
on the Financial Statements

NEAL, SCOUTEN & McCONNELL, P.C.
Certified Public Accountants

To the Commissioners
Athens Utilities Board
Athens, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each of the major funds, and the aggregate remaining fund information, the Pension Trust Fund, of Athens Utilities Board, a component unit of the City of Athens, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Athens Utilities Board, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-1 through A-11 and the schedule of changes in the net pension liability and related ratios, the schedule of plan contributions, and the schedule of investment returns on pages 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Athens Utilities Board's basic financial statements as a whole. The accompanying information, shown on pages 38 through 61, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying information on pages 38 through 58 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying information on pages 59 through 61 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2015, on our consideration of Athens Utilities Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Athens Utilities Board's internal control over financial reporting and compliance.

Neal, Scouten & McConnell, P.C.

Chattanooga, Tennessee
October 30, 2015

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015**

The Athens Utilities Board is organized as a component unit of the City of Athens, Tennessee. Our discussion and analysis of each Division's financial performance provides an overview of its financial activity for the fiscal year ended June 30, 2015. It should be read in conjunction with the basic financial statements.

Using this Annual Report

This annual report consists of four parts: Management's Discussion and Analysis, Financial Statements, Required Supplemental Information, and Accompanying Information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The Board is segregated into four distinct divisions (Power Division, Water Division, Gas Division, and Department of Sewer), that provide electricity, water, natural gas, and sewer services to residential, commercial, and industrial customers located in Athens, Tennessee, and surrounding areas. Each division is considered to be a separate accounting and reporting entity reporting its business-type activities in accordance with enterprise fund accounting requirements for special-purpose governments.

These financial statements report information using the accrual basis of accounting. The financial reporting and accounting methods followed by the Board are similar to those used by private sector companies. The statements offer short and long-term financial information about the Board's activities. The statement of net position includes all of the assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligation to creditors (liabilities). It also provides the basis for computing rate of return, evaluating capital structure, and assessing liquidity and financial flexibility of the utility. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the utility's operations over the past year and can be used to determine whether the utility has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the year. The cash flow statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, capital and noncapital financing activities. It provides answers to such questions as: from where did cash come, for what was cash used, and what was the change in the cash balance during the year?

In addition, the financial statements present the Board's fiduciary fund, the Athens Utilities Board Pension Trust Fund. This trust fund is used to account for assets held in a trustee capacity for the accountability of resources for pension benefit payments to qualified board retirees. Since these assets are held in a fiduciary capacity, they are not included in the Board's assets or results of operations. The statement of fiduciary net position and the statement of changes in fiduciary net position for the Pension Trust Fund may be found on pages 8 and 9 of the accompanying financial statements.

Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015

Power Division
Condensed Statements of Net Position
June 30

	<u>2015</u>	<u>2014</u>	<u>Variance 2015 to 2014</u>	<u>%</u>
Assets:				
Capital assets	\$ 30,755,094	\$ 31,744,444	\$ (989,350)	-3.12 %
Construction in progress	10,082,895	8,734,435	1,348,460	15.44
Current and other assets	14,553,409	13,772,971	780,438	5.67
Total assets	55,391,398	54,251,850	1,139,548	2.10 %
Deferred outflows	567,477	-	567,477	0.00
	<u>\$ 55,958,875</u>	<u>\$ 54,251,850</u>	<u>\$ 1,707,025</u>	<u>3.15 %</u>
Liabilities:				
Current liabilities	\$ 6,104,704	\$ 5,931,376	\$ 173,328	2.92 %
Long-term liabilities	6,108,566	5,312,455	796,111	14.99
Total liabilities	12,213,270	11,243,831	969,439	8.62
Deferred inflows	526,564	-	526,564	0.00
	<u>12,739,834</u>	<u>11,243,831</u>	<u>1,496,003</u>	<u>13.31</u>
Net position:				
Net investment in capital assets	35,526,579	34,747,044	779,535	2.24
Unrestricted	7,692,462	8,260,975	(568,513)	-6.88
Total net position	43,219,041	43,008,019	211,022	0.49
	<u>\$ 55,958,875</u>	<u>\$ 54,251,850</u>	<u>\$ 1,707,025</u>	<u>3.15 %</u>

Power Division
Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30

	<u>2015</u>	<u>2014</u>	<u>Variance 2015 to 2014</u>	<u>%</u>
Revenues:				
Power sales revenues	\$ 49,365,629	\$ 48,898,625	\$ 467,004	0.96 %
Other operating revenue	704,055	681,937	22,118	3.24
Non operating income	20,356	16,994	3,362	19.78
Total revenues	50,090,040	49,597,556	492,484	0.99
Expenses:				
Power costs	41,330,751	40,696,468	634,283	1.56
Operating and other expenses before depreciation	5,220,706	5,190,260	30,446	0.59
Depreciation	1,580,595	1,534,329	46,266	3.02
Total expenses	48,132,052	47,421,057	710,995	1.50
Revenues over Expenses before Capital Contributions	1,957,988	2,176,499	(218,511)	-10.04
Capital contributions	178,427	396,513	(218,086)	-55.00
Change in net position	2,136,415	2,573,012	(436,597)	-16.97
Beginning net position	41,082,626 *	40,435,007	647,619	1.60
Ending net position	<u>\$ 43,219,041</u>	<u>\$ 43,008,019</u>	<u>\$ 211,022</u>	<u>0.49 %</u>

* The beginning net position for 2015 reflects a restatement for the implementation of GASB #68. Please see Note 10 to the financial statements for additional details.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015**

Power Division Financial Statement Analysis

The Power Division's total assets as of June 30, 2015 increased 2% from the previous year. Net position was \$211,000 more than last year because of increased investment in infrastructure, as can be seen in the increase in construction in progress, and profitable operations. Long-term liabilities increased over 2014 because of recognition of the net pension liability as required by a new Governmental Accounting Standards Board (GASB) standard implemented at July 1, 2014.

The change in net position (net income) in 2015 decreased 17% because of increased operating expenses, which were 1.5% more than 2014. Net income for 2015 also decreased due to grant proceeds recognized in 2014. These grant proceeds were for a specific capital project. The division achieved revenues over expenses of \$2.1 million in 2015.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015**

**Water Division
Condensed Statements of Net Position
June 30**

	<u>2015</u>	<u>2014</u>	<u>Variance 2015 to 2014</u>	<u>%</u>
Assets:				
Capital assets	\$ 13,476,699	\$ 13,496,148	\$ (19,449)	-0.14 %
Construction in progress	4,606,983	3,346,654	1,260,329	37.66
Current and other assets	4,905,644	4,975,783	(70,139)	-1.41
Total assets	22,989,326	21,818,585	1,170,741	5.37
Deferred outflows	214,965	-	214,965	0.00
	<u>\$ 23,204,291</u>	<u>\$ 21,818,585</u>	<u>\$ 1,385,706</u>	<u>6.35 %</u>
Liabilities:				
Current liabilities	\$ 568,720	\$ 748,592	\$ (179,872)	-24.03 %
Long-term liabilities	3,227,367	2,383,528	843,839	35.40
Total liabilities	3,796,087	3,132,120	663,967	21.20
Deferred inflows	148,263	-	148,263	0.00
	<u>3,944,350</u>	<u>3,132,120</u>	<u>812,230</u>	<u>25.93</u>
Net position:				
Net investment in capital assets	14,951,485	14,279,371	672,114	4.71
Unrestricted	4,308,456	4,407,094	(98,638)	-2.24
Total net position	19,259,941	18,686,465	573,476	3.07
	<u>\$ 23,204,291</u>	<u>\$ 21,818,585</u>	<u>\$ 1,385,706</u>	<u>6.35 %</u>

**Water Division
Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30**

	<u>2015</u>	<u>2014</u>	<u>Variance 2015 to 2014</u>	<u>%</u>
Revenues:				
Water sales revenues	\$ 3,969,846	\$ 3,894,907	\$ 74,939	1.92 %
Other operating revenue	112,091	140,542	(28,451)	-20.24
Non operating income	157,749	12,534	145,215	1,158.57
Total revenues	4,239,686	4,047,983	191,703	4.74
Expenses:				
Purchased water	639,400	608,148	31,252	5.14
Operating and other expenses				
before depreciation	2,053,808	2,095,867	(42,059)	-2.01
Depreciation	635,733	649,054	(13,321)	-2.05
Total expenses	3,328,941	3,353,069	(24,128)	-0.72
Revenues over Expenses				
before Capital Contributions	910,745	694,914	215,831	31.06
Capital contributions	216,632	443,312	(226,680)	-51.13
Change in net position	1,127,377	1,138,226	(10,849)	-0.95
Beginning net position	18,132,564 *	17,548,239	584,325	3.33
Ending net position	<u>\$ 19,259,941</u>	<u>\$ 18,686,465</u>	<u>\$ 573,476</u>	<u>3.07 %</u>

* The beginning net position for 2015 reflects a restatement for the implementation of GASB #68. Please see Note 10 to the financial statements for additional details.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015**

Water Division Financial Statement Analysis

Total assets as of June 30, 2015 were 5% more than 2014 because of infrastructure additions as can be seen in the increase in construction in progress. Total liabilities increased from 2014 because of a new debt issue to finance a capital project as can be seen in the increase in long-term liabilities. Deferred inflows are recognized in accordance with the new GASB standards. Net position increased during 2015 because of profitable operations.

Revenues in 2015 were more than 2014 because of increased water sales. Total operating expenses were less than prior year. Revenues over expenses before capital contributions were more than 2014 because of increased water sales and decreased operating expenses. The total change in net position (net income) was consistent with last year, due to decrease in capital contributions in 2015. Capital contributions in 2014 included more principal forgiveness related to a specific capital project financed with funds from the State of Tennessee.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015**

**Gas Division
Condensed Statements of Net Position
June 30**

	<u>2015</u>	<u>2014</u>	<u>Variance 2015 to 2014</u>	<u>%</u>
Assets:				
Capital assets	\$ 8,670,055	\$ 8,476,070	\$ 193,985	2.29 %
Construction in progress	458,519	294,311	164,208	55.79
Current and other assets	11,014,470	10,743,334	271,136	2.52
Total assets	20,143,044	19,513,715	629,329	3.23
Deferred outflows	143,582	-	143,582	0.00
	<u>\$ 20,286,626</u>	<u>\$ 19,513,715</u>	<u>\$ 772,911</u>	<u>3.96 %</u>
Liabilities:				
Current liabilities	\$ 477,205	\$ 493,606	\$ (16,401)	-3.32 %
Long term liabilities	250,022	-	250,022	0.00
Total liabilities	727,227	493,606	233,621	47.33
Deferred inflows	103,937	-	103,937	0.00
	<u>831,164</u>	<u>493,606</u>	<u>337,558</u>	<u>68.39</u>
Net position:				
Net investment in capital assets	9,128,574	8,770,381	358,193	4.08
Unrestricted	10,326,888	10,249,728	77,160	0.75
Total net position	19,455,462	19,020,109	435,353	2.29
	<u>\$ 20,286,626</u>	<u>\$ 19,513,715</u>	<u>\$ 772,911</u>	<u>3.96 %</u>

**Gas Division
Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30**

	<u>2015</u>	<u>2014</u>	<u>Variance 2015 to 2014</u>	<u>%</u>
Revenues:				
Gas sales revenues	\$ 7,095,388	\$ 7,250,640	\$ (155,252)	-2.14 %
Other operating revenue	115,448	313,796	(198,348)	-63.21
Non operating income	122,250	12,793	109,457	855.60
Total revenues	7,333,086	7,577,229	(244,143)	-3.22
Expenses:				
Gas costs	4,423,880	4,645,376	(221,496)	-4.77
Other operating expenses				
before depreciation	1,664,202	1,890,334	(226,132)	-11.96
Depreciation	427,171	431,742	(4,571)	-1.06
Total expenses	6,515,253	6,967,452	(452,199)	-6.49
Revenues over Expenses				
before Capital Contributions	817,833	609,777	208,056	34.12
Capital contributions	13,768	-	13,768	0.00
Change in net position	831,601	609,777	221,824	36.38
Beginning net position	18,623,861 *	18,410,332	213,529	1.16
Ending net position	<u>\$ 19,455,462</u>	<u>\$ 19,020,109</u>	<u>\$ 435,353</u>	<u>2.29 %</u>

* The beginning net position for 2015 reflects a restatement for the implementation of GASB #68. Please see Note 10 to the financial statements for additional details.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015**

Gas Division Financial Statement Analysis

The Gas Division's total assets as of June 30, 2015 increased over 2014 because of infrastructure additions as can be seen in the increase in capital assets and construction in progress. The Gas Division remains debt free. The long-term liability recognized in fiscal 2015 is the net pension obligation required by the new GASB standards. Net position increased over 2014 because of profitable operations. Total expenses decreased from 2014 resulting in the increase in the change in net position (net income). Ending net position increased over 2014 because of profitable operations. The cost of natural gas for 2015 was less than last year because of decreased wholesale gas prices.

Gas sales revenues were less than last year because of lower rates charged in response to the lower gas costs. While sales revenues were less than last year, gas costs had a larger decrease resulting in an increased margin on gas sales. Operating expenses were less than last year. Change in net position (net income) was considerably improved over 2014.

Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015

Department of Sewer
Condensed Statements of Net Position
June 30

	2015	2014	Variance 2015 to 2014	%
Assets:				
Capital assets	\$ 34,915,152	\$ 35,658,083	\$ (742,931)	-0.75 %
Construction in progress	647,402	1,834,268	(1,186,866)	-64.71
Current and other assets	5,245,151	5,501,093	(255,942)	-4.65
Total assets	40,807,705	42,993,444	(2,185,739)	-5.08
Deferred outflows	248,264	-	248,264	0.00
	<u>\$ 41,055,969</u>	<u>\$ 42,993,444</u>	<u>\$ (1,937,475)</u>	<u>-4.51 %</u>
Liabilities:				
Current liabilities	\$ 942,874	\$ 943,514	\$ (640)	-0.07 %
Long-term liabilities	18,437,763	18,718,651	(280,888)	-1.50
Total liabilities	19,380,637	19,662,165	(281,528)	-1.43
Deferred inflows	176,540	-	176,540	0.00
	<u>19,557,177</u>	<u>19,662,165</u>	<u>(104,988)</u>	<u>-0.53</u>
Net position:				
Net investment in capital assets	16,849,661	18,102,088	(1,252,427)	-6.92
Unrestricted	4,649,131	5,229,191	(580,060)	-11.09
Total net position	<u>21,498,792</u>	<u>23,331,279</u>	<u>(1,832,487)</u>	<u>-7.85</u>
	<u>\$ 41,055,969</u>	<u>\$ 42,993,444</u>	<u>\$ (1,937,475)</u>	<u>-4.51 %</u>

Department of Sewer
Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30

	2015	2014	Variance 2015 to 2014	%
Revenues:				
Sales revenues	\$ 4,697,623	\$ 4,579,288	\$ 118,335	2.58 %
Other operating revenue	141,676	144,856	(3,180)	-2.20
Non operating income	8,505	13,908	(5,403)	-38.85
Total revenues	<u>4,847,804</u>	<u>4,738,052</u>	<u>109,752</u>	<u>2.32</u>
Expenses:				
Operating expenses before depreciation	3,121,998	3,082,368	39,630	1.29
Depreciation	1,506,752	1,586,461	(79,709)	-5.02
Total expenses	<u>4,628,750</u>	<u>4,668,829</u>	<u>(40,079)</u>	<u>-0.86</u>
Revenues over Expenses				
before Capital Contributions	219,054	69,223	149,831	216.45
Capital contributions	644,540	431,326	213,214	49.43
Change in net position	<u>863,594</u>	<u>500,549</u>	<u>363,045</u>	<u>72.53</u>
Beginning net position	20,635,198 *	22,830,730	(2,195,532)	-9.62
Ending net position	<u>\$ 21,498,792</u>	<u>\$ 23,331,279</u>	<u>\$ (1,832,487)</u>	<u>-7.85 %</u>

* The beginning net position for 2015 reflects a restatement for the implementation of GASB #68. Please see Note 10 to the financial statements for additional details. In addition, beginning net position has been restated by \$2,012,732 for a prior period adjustment. See Note 11 to the financial statements for additional details.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015**

Department of Sewer Financial Statement Analysis

Assets for the Department of Sewer were less than 2014 because of construction projects completed during 2014 and asset retirements. This can be seen in the reduction in construction in progress and capital assets. Total liabilities were slightly decreased from 2014 because of normal debt service, which was offset partially by the recording of the pension liability as required by GASB standards. Total net position was less than last year because of prior period adjustments to implement GASB 68 and a prior period adjustment to correct capital assets from prior periods that should have been recognized as expense.

Total revenues were more than last year because of increased sales revenue. Total expenses were slightly less than 2014 resulting in increased revenues over expenses before capital contributions. Change in net position (net income) was further increased because of grant funds for a specific project recognized in capital contributions in 2015.

Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015

Capital Assets and Long-term Debt Activity

The Athens Utilities Board incurred new debt during 2004 for the Department of Sewer and a smaller one for the Power Division. These are variable rate borrowings through the Tennessee Municipal Bond Fund. The Department of Sewer has utilized \$17.4 million, and the Power Division has utilized \$2.9 million of this debt. All available funds have been drawn. The balance due from the Department of Sewer for this debt as of June 30, 2015 was \$16.1 million, and the balance due from the Power Division was \$2.7 million. During fiscal 2008, the Power Division incurred another new debt with total available of \$2.6 million to finance construction of a major substation upgrade. The balance due as of June 30, 2015 was \$2.2 million. An older bond issue in the Power Division was refinanced with a fixed rate debt during 2009. The total refinanced was \$2.035 million, and the balance due as of June 30, 2015 was \$332,500. The term for this was shortened from twenty years to seven years, thus the Power Division's total debt service was reduced. This debt will be extinguished in fiscal 2016. The Power Division completed construction of a new substation to serve the City of Niota, Tennessee during 2013. There have been no new debt issues in the Power Division since the 2009 refinance. All infrastructure improvements have been financed with cash flow.

Construction in progress for the Water Division increased during 2010 because of construction of a new reservoir. This reservoir was partially financed with a new debt issue resulting in an increase of \$1.4 million in debt. The Water Division began a project to upgrade treatment infrastructure during 2014. This infrastructure upgrade will be completed in two phases. The total cost of the first phase of this project will be approximately \$2 million, and it will result in new debt of \$1.6 million and principal forgiveness of \$400,000 from the State of Tennessee revolving loan fund. All of the funds for the first phase have been drawn as of August 2015. The second phase of the upgrade will also cost approximately \$2 million. This will be financed with \$1.6 million SRF debt with \$400,000.00 principal forgiveness as well.

The Gas Division remains debt free. A new eight-inch gas main and compressed natural gas filling station were constructed during 2013. The total cost of these projects was approximately \$1.2 million. A second eight-inch gas main is budgeted for fiscal 2016. The cost of this infrastructure improvement is approximately \$4.5 million. No debt is planned to finance any gas infrastructure improvements.

The Department of Sewer incurred new debt totaling \$2,695,000 in 2011 to finance part of the construction costs of a system extension to an area that was not being served at that time. This debt consists of fixed rate debt from the State of Tennessee's revolving loan fund of \$2,246,000 and another fixed rate note from the American Recovery and Reinvestment Act (ARRA) for \$449,000. As of June 30, 2015, the balance due on these was \$1.98 million and \$396,000, respectively. The remainder of the cost was financed by a cost sharing arrangement between the Utility, the City of Athens, Tennessee and McMinn County as well as a principal forgiveness from the ARRA of \$1.9 million. No additional debt was incurred in the Department of Sewer during 2014 or 2015.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2015**

Currently Known Facts, Decisions, or Conditions

Rates for the Water and Sewer Divisions have been adjusted using a two-year schedule to improve the profitability for these divisions. The Water Division posted a net loss for 2009, and the Department of Sewer would have posted a net loss had it not received capital contributions during the year. Both divisions have posted positive changes in net position since these rate adjustments were completed. The final adjustment in this two-year adjustment schedule was effective July 1, 2011. The Gas and Power Divisions have adopted rate structures that are adjusted to reflect changes in wholesale prices of gas and power sold. These fluctuating rate structures allow the Gas and Power Divisions to preserve the margin (the difference between the prices paid and charged) in the commodities sold. The Gas Division constructed a natural gas vehicle fueling station during 2013. The cost of this station was approximately \$430,000. No debt was incurred. A natural gas peak shaving plant was abandoned in 2014. The loss on disposition of this asset was \$211,000.

Contacting the Utility's Financial Management

This financial report is designed to provide our rate payers and other users of these statements with a general overview of the utility's finances and to show the utility's accountability for the money it receives. If you have questions about this report or need additional information, contact the Superintendent of Accounting at Athens Utilities Board, P. O. Box 689, Athens, TN 37371-0689.

**BASIC
FINANCIAL STATEMENTS**

ATHENS UTILITIES BOARD
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-Type Activities - Enterprise Funds				
	Power Division	Water Division	Gas Division	Department of Sewer	Total
ASSETS					
UTILITY PLANT AND EQUIPMENT, at cost					
Less accumulated depreciation	\$ 53,247,943 (22,492,849)	\$ 25,644,447 (12,167,748)	\$ 16,125,111 (7,455,056)	\$ 51,241,395 (16,326,243)	\$ 146,258,896 (58,441,896)
	30,755,094	13,476,699	8,670,055	34,915,152	87,817,000
Construction in progress	10,082,895	4,606,983	458,519	647,402	15,795,799
Net utility plant and equipment	40,837,989	18,083,682	9,128,574	35,562,554	103,612,799
CURRENT ASSETS					
Cash	8,041,186	4,102,789	10,224,314	4,462,402	26,830,691
Receivables:					
Customer accounts, less allowance for doubtful accounts	4,758,864	277,350	300,169	341,919	5,678,302
Other governments	122,277	11,810	-	-	134,087
Other	114,852	85,375	3,736	14,913	218,876
Current maturities of customer loans	1,308	-	-	-	1,308
Prepaid expenses	229,634	207,227	90,852	170,702	698,415
Materials and supplies	1,285,288	221,093	101,868	255,215	1,863,464
Gas and propane storage inventory	-	-	293,531	-	293,531
Total current assets	14,553,409	4,905,644	11,014,470	5,245,151	35,718,674
Total assets	55,391,398	22,989,326	20,143,044	40,807,705	139,331,473
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension plan	567,477	214,965	143,582	248,264	1,174,288
	\$ 55,958,875	\$ 23,204,291	\$ 20,286,626	\$ 41,055,969	\$ 140,505,761

The Notes to Financial Statements are an integral part of these statements.

Business-Type Activities - Enterprise Funds

	<u>Power Division</u>	<u>Water Division</u>	<u>Gas Division</u>	<u>Department of Sewer</u>	<u>Total</u>
LIABILITIES AND NET POSITION					
LONG-TERM LIABILITIES					
Long-term debt	\$ 5,311,411	\$ 3,052,416	\$ -	\$ 18,712,893	\$ 27,076,720
Less current maturities shown below	<u>(469,500)</u>	<u>(181,698)</u>	<u>-</u>	<u>(699,799)</u>	<u>(1,350,997)</u>
Total long-term debt	<u>4,841,911</u>	<u>2,870,718</u>	<u>-</u>	<u>18,013,094</u>	<u>25,725,723</u>
 TVA advances, home insulation, and heat pump programs	1,308	-	-	-	1,308
Less current maturities shown below	<u>(1,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,308)</u>
Net pension liability	<u>1,266,655</u>	<u>356,649</u>	<u>250,022</u>	<u>424,669</u>	<u>2,297,995</u>
Total other long-term liabilities	<u>1,266,655</u>	<u>356,649</u>	<u>250,022</u>	<u>424,669</u>	<u>2,297,995</u>
Total long-term liabilities	<u>6,108,566</u>	<u>3,227,367</u>	<u>250,022</u>	<u>18,437,763</u>	<u>28,023,718</u>
CURRENT LIABILITIES					
Current maturities of long-term liabilities	470,808	181,698	-	699,799	1,352,305
Payables:					
TVA for purchased power	4,165,679	-	-	-	4,165,679
Vendors	679,832	160,025	314,043	50,429	1,204,329
Retainage	-	79,781	-	-	79,781
Primary government	99,928	-	-	-	99,928
Unearned revenues	-	28,650	4,200	19,500	52,350
Customer deposits	302,000	37,050	104,600	54,020	497,670
Other current liabilities	<u>386,457</u>	<u>81,516</u>	<u>54,362</u>	<u>119,126</u>	<u>641,461</u>
Total current liabilities	<u>6,104,704</u>	<u>568,720</u>	<u>477,205</u>	<u>942,874</u>	<u>8,093,503</u>
Total liabilities	12,213,270	3,796,087	727,227	19,380,637	36,117,221
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension plan	<u>526,564</u>	<u>148,263</u>	<u>103,937</u>	<u>176,540</u>	<u>955,304</u>
	<u>12,739,834</u>	<u>3,944,350</u>	<u>831,164</u>	<u>19,557,177</u>	<u>37,072,525</u>
NET POSITION					
Net investment in capital assets	35,526,578	14,951,485	9,128,574	16,849,661	76,456,298
Unrestricted	<u>7,692,463</u>	<u>4,308,456</u>	<u>10,326,888</u>	<u>4,649,131</u>	<u>26,976,938</u>
Total net position	<u>43,219,041</u>	<u>19,259,941</u>	<u>19,455,462</u>	<u>21,498,792</u>	<u>103,433,236</u>
	<u>\$ 55,958,875</u>	<u>\$ 23,204,291</u>	<u>\$ 20,286,626</u>	<u>\$ 41,055,969</u>	<u>\$ 140,505,761</u>

ATHENS UTILITIES BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds				Total
	Power Division	Water Division	Gas Division	Department of Sewer	
OPERATING REVENUES					
Sales:					
Residential	\$ 16,019,035	\$ 1,737,732	\$ 2,956,700	\$ 1,887,514	\$ 22,600,981
Commercial	4,062,396	1,816,297	1,887,835	1,463,114	9,229,642
Industrial	28,332,234	415,817	942,875	1,346,995	31,037,921
Public street and outdoor lighting	951,964	-	-	-	951,964
Interruptible	-	-	1,307,978	-	1,307,978
Other operating revenue	704,055	112,091	115,448	141,676	1,073,270
Total operating revenues	<u>50,069,684</u>	<u>4,081,937</u>	<u>7,210,836</u>	<u>4,839,299</u>	<u>66,201,756</u>
OPERATING EXPENSES					
Purchased supply	41,330,751	639,400	4,423,880	-	46,394,031
Power, pumping, and purification	-	367,216	-	-	367,216
Treatment plant	-	-	-	1,189,601	1,189,601
Pumping station	-	-	-	65,114	65,114
Distribution	952,144	166,738	350,673	-	1,469,555
Maintenance	1,155,468	447,518	230,117	542,532	2,375,635
Consumer accounts	681,619	366,435	283,022	135,104	1,466,180
Administrative and general	1,424,486	656,955	558,046	817,710	3,457,197
Other	1,235	-	-	261,953	263,188
Depreciation and amortization	1,580,595	635,733	427,171	1,506,752	4,150,251
Tax equivalents	922,532	-	204,618	-	1,127,150
Total operating expenses	<u>48,048,830</u>	<u>3,279,995</u>	<u>6,477,527</u>	<u>4,518,766</u>	<u>62,325,118</u>
NET OPERATING INCOME	<u>2,020,854</u>	<u>801,942</u>	<u>733,309</u>	<u>320,533</u>	<u>3,876,638</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	20,356	12,215	17,819	8,505	58,895
Interest expense	(32,756)	(44,529)	(1,479)	(101,089)	(179,853)
Gain (loss) on disposal of capital assets	-	(4,417)	104,431	-	100,014
Other	(50,466)	145,534	(36,247)	(8,895)	49,926
Net nonoperating revenues (expenses)	<u>(62,866)</u>	<u>108,803</u>	<u>84,524</u>	<u>(101,479)</u>	<u>28,982</u>
Income before capital contributions	1,957,988	910,745	817,833	219,054	3,905,620
CAPITAL CONTRIBUTIONS	<u>178,427</u>	<u>216,632</u>	<u>13,768</u>	<u>644,540</u>	<u>1,053,367</u>
CHANGE IN NET POSITION	<u>2,136,415</u>	<u>1,127,377</u>	<u>831,601</u>	<u>863,594</u>	<u>4,958,987</u>
Net position, beginning of year, as restated	<u>41,082,626</u>	<u>18,132,564</u>	<u>18,623,861</u>	<u>20,635,198</u>	<u>98,474,249</u>
Net position, end of year	<u>\$ 43,219,041</u>	<u>\$ 19,259,941</u>	<u>\$ 19,455,462</u>	<u>\$ 21,498,792</u>	<u>\$ 103,433,236</u>

The Notes to Financial Statements are an integral part of these statements.

ATHENS UTILITIES BOARD
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds				Total
	Power Division	Water Division	Gas Division	Department of Sewer	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 49,331,614	\$ 4,101,372	\$ 7,244,871	\$ 4,810,475	\$ 65,488,332
Receipts from other divisions for services provided	679,481	9,032	13,109	2,510	704,132
Payments for employee services	(2,940,829)	(803,228)	(509,265)	(894,594)	(5,147,916)
Payments to suppliers for goods and services	(43,049,240)	(1,685,418)	(5,373,850)	(1,613,382)	(51,721,890)
Payments to other divisions for services used	(17,586)	(160,265)	(10,865)	(515,416)	(704,132)
Customer deposits received	181,700	20,215	50,027	24,770	276,712
Customer deposits refunded	(161,000)	(18,065)	(42,927)	(21,350)	(243,342)
Net cash provided by operating activities	<u>4,024,140</u>	<u>1,463,643</u>	<u>1,371,100</u>	<u>1,793,013</u>	<u>8,651,896</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net receipts (payments) under customer loan programs	(1,233)	-	-	-	(1,233)
Payment to pension plan	(490,599)	(193,319)	(128,406)	(222,489)	(1,034,813)
Net cash used in noncapital financing activities	<u>(491,832)</u>	<u>(193,319)</u>	<u>(128,406)</u>	<u>(222,489)</u>	<u>(1,036,046)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds received from issuance of long-term debt	-	672,941	-	-	672,941
Principal paid on long-term debt	(420,424)	(141,769)	-	(656,227)	(1,218,420)
Additions to utility plant and equipment	(2,029,131)	(1,872,115)	(863,745)	(1,608,928)	(6,373,919)
Removal cost, salvage, and other, net	17,795	(11,400)	(8,525)	(27,895)	(30,025)
Proceeds on disposal of property	-	-	106,088	-	106,088
Capital contributions	285,968	240,539	13,768	1,005,721	1,545,996
Interest paid on long-term liabilities	(35,895)	(84,722)	(1,479)	(101,089)	(223,185)
Net cash used in capital and related financing activities	<u>(2,181,687)</u>	<u>(1,196,526)</u>	<u>(753,893)</u>	<u>(1,388,418)</u>	<u>(5,520,524)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES					
Interest received	<u>20,356</u>	<u>12,215</u>	<u>17,819</u>	<u>8,505</u>	<u>58,895</u>
Net increase in cash and cash equivalents	1,370,977	86,013	506,620	190,611	2,154,221
Cash and cash equivalents, beginning of year	<u>6,670,209</u>	<u>4,016,776</u>	<u>9,717,694</u>	<u>4,271,791</u>	<u>24,676,470</u>
Cash and cash equivalents, end of year	<u>\$ 8,041,186</u>	<u>\$ 4,102,789</u>	<u>\$ 10,224,314</u>	<u>\$ 4,462,402</u>	<u>\$ 26,830,691</u>

(continued on page 7)

The Notes to Financial Statements are an integral part of these statements.

ATHENS UTILITIES BOARD
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds				
	Power Division	Water Division	Gas Division	Department of Sewer	Total
(continued from page 6)					
Reconciliation of net operating income to net cash provided by operating activities:					
Net operating income	\$ 2,020,854	\$ 801,942	\$ 733,309	\$ 320,533	\$ 3,876,638
Adjustments to reconcile net operating income to net cash provided by operating activities:					
Depreciation and amortization	1,666,404	693,697	467,005	1,571,419	4,398,525
Other	(50,466)	(14,383)	(36,247)	(8,895)	(109,991)
Pension expense	214,018	60,260	42,244	71,753	388,275
Changes in assets and liabilities:					
Receivables	(58,590)	17,867	47,393	(16,114)	(9,444)
Materials and supplies	98,225	6,223	(20,012)	(98,483)	(14,047)
Gas and propane storage inventory	-	-	106,483	-	106,483
Payables	114,347	4,548	29,262	(37,940)	110,217
Unearned revenues	-	10,600	(250)	(10,200)	150
Other current liabilities	6,385	(13,204)	1	(19,361)	(26,179)
Prepaid expenses	12,963	(103,907)	1,912	20,301	(68,731)
Net cash provided by operating activities	<u>\$ 4,024,140</u>	<u>\$ 1,463,643</u>	<u>\$ 1,371,100</u>	<u>\$ 1,793,013</u>	<u>\$ 8,651,896</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Outstanding capital contributions	\$ 122,277	\$ 11,810	\$ -	\$ -	\$ 134,087
Capital contribution through debt forgiveness	\$ -	\$ 168,235	\$ -	\$ -	\$ 168,235

The Notes to Financial Statements are an integral part of these statements.

**ATHENS UTILITIES BOARD
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
FIDUCIARY FUND
June 30, 2015**

ASSETS

Cash	\$ 43,855
Interest receivable	<u>35,341</u>
	<u>79,196</u>
Investments, at fair value:	
U.S. government and agency securities	1,218,386
Foreign stock	1,565,729
Foreign bonds and notes	276,040
Corporate bonds	1,664,818
Common stock	819,702
Mutual funds	3,096,376
Municipal bonds	<u>584,547</u>
Total investments	<u>9,225,598</u>
Total assets	<u>\$ 9,304,794</u>

NET POSITION

Net position held in trust for pension benefits	<u>\$ 9,304,794</u>
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The Notes to Financial Statements are an integral part of this statement.

ATHENS UTILITIES BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FIDUCIARY FUND
Year Ended June 30, 2015

ADDITIONS

Employer contributions	\$ 1,034,813
Net investment income:	
Interest and dividend income	301,068
Net depreciation in the fair value of investments	<u>(193,912)</u>
Total additions	<u>1,141,969</u>

DEDUCTIONS

Benefits paid	837,872
Administrative expenses	<u>1,095</u>
Total deductions	<u>838,967</u>

**CHANGE IN NET POSITION HELD IN TRUST FOR
PENSION BENEFITS**

303,002

NET POSITION, held in trust for pension benefits, beginning of year

9,001,792

NET POSITION, held in trust for pension benefits, end of year

\$ 9,304,794

The Notes to Financial Statements are an integral part of this statement.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies

Organization and basis of presentation:

Athens Utilities Board (the Board) is a separately administered component unit of the City of Athens, Tennessee. The City of Athens was incorporated by an act of the legislature of the Tennessee General Assembly in 1891. The financial statements of the Board are included in the Comprehensive Annual Financial Report of the City. The Board is governed by a five-member commission appointed by the City Council of Athens. One commissioner is to also serve on the City Council.

The Board is segregated into four distinct divisions (Power Division, Water Division, Gas Division and Department of Sewer) that provide power, water, gas, and sewer services to residential, commercial, and industrial customers located in Athens, Tennessee, and surrounding areas. Each division is considered to be a separate accounting and reporting entity, reporting its business-type activities in accordance with enterprise fund accounting requirements for special-purpose governments. Generally, interdivisional receivables, payables, revenues, and expenses exist for services provided between divisions. For reporting purposes, all of the Board's enterprise funds qualified as major funds.

The financial statements also report the Board's fiduciary fund, Athens Utilities Board Pension Trust Fund. This trust fund is used to account for assets held by the Board in a trustee capacity for the accountability of resources for pension benefit payments to qualified Board retirees.

The financial statements of the Board have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The more significant accounting policies used by the Board are described below.

Allocation of operating expenses:

Certain common operating expenses are allocated among the divisions for financial reporting purposes based upon management's estimate of the pro rata relationship of the expenses to each division.

Basis of accounting:

The accompanying financial statements are presented on the accrual basis of accounting.

Use of estimates in the preparation of financial statements:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

Capital assets, depreciation and maintenance:

Capital assets consist of utility plant, equipment and construction in progress. Individual capital assets purchased or constructed with an original cost of \$1,000 or more are stated at cost. Such cost includes direct cost, direct labor, and applicable overhead costs (general and administrative, pensions, taxes, etc.) allocated to construction projects. Contributed assets are reported at fair market value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Maintenance and repairs, including the cost of renewals of minor items of property, are charged to maintenance expense accounts.

The Board uses group depreciation for many of its assets. Under this method, assets are aggregated into pools and depreciated over their estimated useful lives. In group depreciation, depreciation is not accumulated by individual asset; therefore, property subject to depreciation is retired at its average unit cost. In addition, accumulated depreciation of the same amount is retired with no gain or loss recognized on the disposal. Cost of removing retired assets less the salvage value recovered is also charged to accumulated depreciation.

Capital assets are depreciated over the following estimated useful lives:

Plant in service	7-50 years
Equipment and furniture	5-14 years
Transportation – under one ton	5-8 years
Transportation – over one ton	13 years

The composite straight-line depreciation rate, expressed as a percentage of average depreciable plant, ranged from 2.50 to 3.00 percent. The depreciation and amortization in the statements of revenues, expenses and changes in net position does not include depreciation on certain transportation equipment, which is allocated to other expense classifications based on relative usage. Depreciation charged to other accounts is as follows:

Power	\$ 85,809
Water	57,964
Gas	39,834
Sewer	64,667

Revenues and expenses and use of resources:

The Board records revenue billed to customers based on monthly meter-reading cycles. Charges for services are recognized when used by the customer whether billed or unbilled.

For each division, operating revenues are receipts from utility sales and all revenues related to utility operations including late payment fees, rental income and ancillary services.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

Revenues and expenses and use of resources: (continued)

Operating expenses include those expenses that result from the ongoing operations of the utility systems.

Non-operating revenues consist primarily of investment income and capital contributions. Non-operating expenses consist of interest expense on long-term indebtedness and miscellaneous expenses not directly identified with the utility system's operations.

When both restricted and unrestricted resources are available for use, the Board's policy is to use restricted resources first.

Customer accounts receivable:

The Board provides an allowance for doubtful accounts based on review of customers' outstanding receivable balance and historical collection information. Policies exist requiring termination of services for nonpayment. Customer accounts receivable are presented net of the following allowance for doubtful accounts:

Power	\$ 74,000
Water	12,000
Gas	14,000
Sewer	17,000

Purchased power:

The Power Division records purchased power costs based on a monthly reading of its power meters. Purchased power costs are recorded in the month they are incurred.

Materials and supplies and gas storage inventory:

Materials and supplies are carried at the lower of cost (average cost method) or market value. Gas storage inventory represents surplus natural gas inventoried for later usage and is carried at the lower of cost (average cost method) or market.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Board considers all highly liquid investments with an original maturity of less than 90 days to be cash equivalents. In accordance with governmental accounting standards, certain restricted assets are considered cash equivalents for purposes of the statements of cash flows.

Capital contributions:

Amounts charged to developers and customers for the cost incurred in installing service lines for residential developments, service and distribution lines installed by developers and donated to the Board, and amounts received from grants and other governmental funding sources are recorded as capital contributions.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

Compensated absences:

Employees accrue vacation by a prescribed formula based on length of service. Vacation may be accumulated on a limited basis with certain vacation expiring annually in accordance with the Board's policy. The value of limited accumulated vacation benefits earned but not taken by employees at June 30 is recorded in other current liabilities. There are no amounts accrued for sick leave.

Capitalized interest:

The Board capitalizes material net interest costs and interest earned as part of the cost of construction when material. The Water Division capitalized \$40,684 of interest in 2015.

Income taxes:

The Board is exempt from federal and state income taxes under statutes presently in effect.

Note 2. Capital Assets

Capital asset activity for the year ended June 30, 2015, is as follows:

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
<u>Power Division</u>				
Capital assets-depreciated:				
Plant in service	\$ 47,796,106	\$ 352,580	\$ 145,585	\$48,003,101
Equipment and furniture	3,281,846	210,658	129,020	3,363,484
Transportation equipment	1,563,077	132,697	156,540	1,539,234
Capital assets-depreciated	52,641,029	695,935	431,145	52,905,819
Land-not depreciated	342,124	-	-	342,124
Total power utility plant and equipment	52,983,153	695,935	431,145	53,247,943
Less accumulated depreciation:				
Plant in service	18,668,352	1,364,916	127,790	19,905,478
Equipment and furniture	1,514,506	216,765	129,020	1,602,251
Transportation equipment	1,055,851	85,809	156,540	985,120
Total accumulated depreciation	21,238,709	1,667,490	413,350	22,492,849
	31,744,444	(971,555)	17,795	30,755,094
Construction in progress- not depreciated	8,734,435	2,136,879	788,419	10,082,895
Net power utility plant and equipment	\$ 40,478,879	\$ 1,165,324	\$ 806,214	\$40,837,989

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2. Capital Assets (continued)

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
<u>Water Division</u>				
Capital assets-depreciated:				
Plant in service	\$ 23,751,882	\$ 662,180	\$ 271,117	\$24,142,945
Equipment and furniture	881,588	669	73	882,184
Transportation equipment	490,349	—	—	490,349
Capital assets-depreciated	25,123,819	662,849	271,190	25,515,478
Land-not depreciated	128,969	—	—	128,969
Total water utility plant and equipment	25,252,788	662,849	271,190	25,644,447
Less accumulated depreciation:				
Plant in service	10,654,613	621,137	282,516	10,993,234
Equipment and furniture	739,064	14,596	73	753,587
Transportation equipment	362,963	57,964	—	420,927
Total accumulated depreciation	11,756,640	693,697	282,589	12,167,748
	13,496,148	(30,848)	(11,399)	13,476,699
Construction in progress- not depreciated	3,346,654	1,943,238	682,909	4,606,983
Net water utility plant and equipment	<u>\$ 16,842,802</u>	<u>\$ 1,912,390</u>	<u>\$ 671,510</u>	<u>\$18,083,682</u>
<u>Gas Division</u>				
Capital assets-depreciated:				
Plant in service	\$ 14,137,959	\$ 300,991	\$ 23,398	\$14,415,552
Equipment and furniture	1,023,746	134,181	3,500	1,154,427
Transportation equipment	337,306	218,949	109,605	446,650
Capital assets-depreciated	15,499,011	654,121	136,503	16,016,629
Land-not depreciated	108,482	—	—	108,482
Total gas utility plant and equipment	15,607,493	654,121	136,503	16,125,111
Less accumulated depreciation:				
Plant in service	6,061,473	383,398	31,924	6,412,947
Equipment and furniture	817,014	49,399	3,500	862,913
Transportation equipment	252,936	35,865	109,605	179,196
Total accumulated depreciation	7,131,423	468,662	145,029	7,455,056
	8,476,070	185,459	(8,526)	8,670,055
Construction in progress- not depreciated	294,311	742,669	578,461	458,519
Net gas utility plant and equipment	<u>\$ 8,770,381</u>	<u>\$ 928,128</u>	<u>\$ 569,935</u>	<u>\$ 9,128,574</u>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2. Capital Assets (continued)

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
<u>Department of Sewer</u>				
Capital assets-depreciated:				
Plant in service	\$ 47,380,962	\$ 2,581,632	\$ 1,057,949	\$48,904,645
Equipment and furniture	1,109,227	167,506	97,629	1,179,104
Transportation equipment	926,869	32,435	21,336	937,968
Capital assets-depreciated	49,417,058	2,781,573	1,176,914	51,021,717
Land-not depreciated	219,678	-	-	219,678
Total sewer utility plant and equipment	49,636,736	2,781,573	1,176,914	51,241,395
Less accumulated depreciation:				
Plant in service	14,308,086	1,438,629	1,085,844	14,660,871
Equipment and furniture	889,319	68,123	97,629	859,813
Transportation equipment	762,228	64,667	21,336	805,559
Total accumulated depreciation	15,959,633	1,571,419	1,204,809	16,326,243
	33,677,103	1,210,154	(27,895)	34,915,152
Construction in progress-not depreciated	1,834,268	1,819,806	3,006,672	647,402
Net sewer utility plant and equipment	<u>\$ 35,511,371</u>	<u>\$ 3,029,960</u>	<u>\$ 2,978,777</u>	<u>\$35,562,554</u>
<u>Board Total</u>				
Capital assets-depreciated:				
Plant in service	\$ 133,066,909	\$ 3,897,383	\$ 1,498,049	\$ 135,466,243
Equipment and furniture	6,296,407	513,014	230,222	6,579,199
Transportation equipment	3,317,601	384,081	287,481	3,414,201
Capital assets-depreciated	142,680,917	4,794,478	2,015,752	145,459,643
Land-not depreciated	799,253	-	-	799,253
Total utility plant and equipment	143,480,170	4,794,478	2,015,752	146,258,896
Less accumulated depreciation:				
Plant in service	49,692,524	3,808,080	1,528,074	51,972,530
Equipment and furniture	3,959,903	348,883	230,222	4,078,564
Transportation equipment	2,433,978	244,305	287,481	2,390,802
Total accumulated depreciation	56,086,405	4,401,268	2,045,777	58,441,896
	87,393,765	393,210	(30,025)	87,817,000
Construction in progress-not depreciated	14,209,668	6,642,592	5,056,461	15,795,799
Net utility plant and equipment	<u>\$ 101,603,433</u>	<u>\$ 7,035,802</u>	<u>\$ 5,026,436</u>	<u>\$ 103,612,799</u>

Beginning capital assets for the Sewer and the Board total have been restated through a prior period adjustment by \$1,980,980.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3. Loans to Customers

Power Division:

The Power Division participates in TVA home insulation and heat pump programs which are fully funded by TVA. Under these programs, the Power Division, acting as a fiscal intermediary, obtains advances from TVA to administer loans with qualified customers approved by TVA. The repayment of the customer loans is based on monthly amortization schedules ranging from three to ten years. The TVA advances are repaid monthly as payments are received on outstanding customer loans. Amounts billed monthly to customers, but not yet received, are included in accounts receivable. All other amounts are reported as long-term loans receivable. TVA assumes all credit risks under these programs. At June 30, 2015, the Board had \$1,308 of accounts receivable and loans outstanding under this program.

Note 4. Cash Deposits

Each division of the Board maintains funds necessary for its daily operation in its operating accounts. Funds in excess of this are deposited in interest bearing accounts with local financial institutions, when possible. The Board has authorized excess funds to be held in money market deposit accounts, sweep accounts, or certificates of deposit.

State statutes require that all deposits with financial institutions be collateralized by an amount equal to 105 percent of the face amount or the value of uninsured deposits. Under these statutes, the deposits must be either covered by state or federal depository insurance, by collateral held by the Board's agent in the Board's name or by the Federal Reserve Banks acting as third-party agents. These statutes also limit the types of investments in which the Board can invest funds. At June 30, 2015, the Board was fully collateralized.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Long-Term Debt and Other Long-Term Liabilities

Long-term debt at June 30, 2015 and 2014, consisted of the following:

Power Division

2015

Note payable to the Public Building Authority
of the City of Clarksville, Tennessee, Series
2003; variable interest; principal due
annually on May 25; interest due monthly

\$ 2,743,167

Note payable to the Public Building Authority
of the City of Clarksville, Tennessee, Series
2008; variable interest; principal due
annually on May 25; interest due monthly

2,235,744

Power Tax and Revenue Refunding Bonds,
Series 2009; 4.00% interest; principal and
interest due semiannually on April 1 and
October 1

332,500

5,311,411

Less current maturities

(469,500)

Total Power long-term debt

\$ 4,841,911

Water Division

Note payable to the Public Building Authority
of the City of Clarksville, Tennessee, Pooled
Loan Program, Series 1995; adjustable rate
pooled financing; principal due annually;
interest due monthly

\$ 227,600

Water Revenue and Tax Bond, Series 2009;
payable to Rural Development, US
Department of Agriculture; 3.25% interest;
due in monthly installments of \$5,416
including interest

1,305,274

Note payable to the Tennessee Department of
Environment and Conservation, State
Revolving Fund Loan Program; 3.18%
interest; due in monthly installments of
\$9,121

1,519,542

3,052,416

Less current maturities

(181,698)

Total Water long-term debt

\$ 2,870,718

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Long-Term Debt and Other Long-Term Liabilities (continued)

Department of Sewer

Note payable to the Public Building Authority
of the City of Clarksville, Tennessee, Pooled
Loan Program, Series 1995; adjustable rate
pooled financing; principal due annually;
interest due monthly \$ 153,680

Note payable to the Public Building Authority
of the City of Clarksville, Tennessee, Series
2003; variable interest; principal due
annually beginning May 25, 2006; interest
due monthly 16,089,406

State of Tennessee Department of Environment
and Conservation:

2.73% note payable; due in monthly
installments of \$18,377 including interest 91,263

2.39% State Revolving Fund note payable;
due in monthly installments of \$12,433
including interest 1,982,119

2.39% ARRA State Revolving Fund note
payable; due in monthly installments of
\$2,487 including interest 396,425

18,712,893

Less current maturities (699,799)

Total Sewer long-term debt \$ 18,013,094

Summary of Board Long-Term Debt

Total Board debt \$ 27,076,720

Less current maturities (1,350,997)

Total Board long-term debt \$ 25,725,723

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Long-Term Debt and Other Long-Term Liabilities (continued)

During 2014, the Board entered an agreement which will provide approximately \$2,000,000 for water treatment plant upgrades. The agreement was entered into by the City of Athens, Tennessee and utilizes a State Revolving Fund Loan Program. Under the agreement, approximately \$400,000 of principal is to be forgiven. The debt service that must be paid under this agreement will be paid by the Board. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the debt. The accompanying financial statements disclose the debt service in the Water Division in accordance with the debt amortization schedule to the extent that the debt has been drawn or requested for the portion that must be repaid. At June 30, 2015, long-term debt of \$1,543,557 and capital contributions related to principal forgiveness of \$385,890 had been recognized during 2014 and 2015.

During 2010, the Board entered an agreement which provided approximately \$4,740,000 for sewer collection system expansion and sewer line rehabilitation. The agreement was entered into by the City of Athens, Tennessee and utilized State Revolving Fund loans and American Recovery and Reinvestment Act funding. Under the agreement, approximately \$1,896,000 of principal was forgiven. The debt service that must be paid under this agreement will be paid by the Board. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the debt.

During 2010, the Board entered a \$1,414,000 loan agreement whereby the City of Athens issued Water Revenue and Tax Bond, Series 2009 for water system construction, improvement, and extension. The Bond was registered to USDA Rural Development and is payable from revenues to be derived from operation of the water system. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the debt. The Board has agreed to pay all debt service due under this agreement over a 38 year amortization period.

The Board entered a \$20,500,000 loan agreement (Series 2003), which was used to construct, repair, improve, extend, and equip the electrical distribution system and the sewer system. The note payable is between the City of Athens, Tennessee and the Public Building Authority of the City of Clarksville, Tennessee (PBA); however, the debt service will be paid by the Board over a 29 year amortization period. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the note. The debt issue requires monthly interest at a variable rate with the rate at June 30, 2015, set at 0.26 percent.

During 2008, the Board entered a \$2,600,000 loan agreement (Series 2008), which was utilized to upgrade the North Athens electrical substation. The note payable is between the City of Athens, Tennessee and the Public Building Authority of the City of Clarksville, Tennessee (PBA); however, the debt service will be paid by the Board over a 29 year amortization period. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the note. The debt issue requires monthly interest at a variable rate with the rate at June 30, 2015, at 0.26 percent.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Long-Term Debt and Other Long-Term Liabilities (continued)

The notes payable to the Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 1995 and Series 2003, carry an adjustable interest rate that is determined based on the market rate of tax-exempt variable interest. The Series 1995 rate is adjusted weekly and was 0.40 percent at June 30, 2015. The Series 2003 and Series 2008 rates are adjusted daily and was 0.26 percent at June 30, 2015.

Changes in long-term debt and other long-term liabilities for the year ended at June 30, 2015 and 2014, are summarized as follows:

	2015			Due	
	Balance 6/30/14	Additions	Retire- ments	Balance 6/30/15	within one year
Revenue and tax bonds-power	\$ 646,400	\$ —	\$ 313,900	\$ 332,500	\$ 332,500
Revenue and tax bonds-water	1,327,286	—	22,012	1,305,274	22,742
Notes payable-power	5,085,435	—	106,524	4,978,911	137,000
Notes payable-water	1,193,958	672,941	119,757	1,747,142	158,956
Notes payable-sewer	19,369,120	—	656,227	18,712,893	699,799
TVA advances	8,637	—	7,329	1,308	1,308
Total Board long-term debt and liabilities	<u>\$ 27,630,836</u>	<u>\$ 672,941</u>	<u>\$ 1,225,749</u>	<u>\$ 27,078,028</u>	<u>\$ 1,352,305</u>

The Power Division and the Department of Sewer revenue bonds are payable from and are secured by a pledge of the revenues derived from the operation of the respective systems. The revenue bonds and the Water Division, Series 1995, note payable are collateralized by statutory liens on the respective systems.

The principal and interest payments on all long-term debt were current as of June 30, 2015.

Aggregate maturities or payments required on principal under long-term debt obligations are as follows:

	Power			Water		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 469,500	\$ 22,841	\$ 492,341	\$ 181,698	\$ 92,387	\$ 274,085
2017	154,000	12,604	166,604	184,347	89,338	273,685
2018	157,000	12,203	169,203	114,694	86,215	200,909
2019	253,750	11,794	265,544	89,926	83,282	173,208
2020	256,750	11,134	267,884	92,845	80,363	173,208
2021-2025	1,339,750	45,452	1,385,202	511,531	354,509	866,040
2026-2030	1,442,750	27,495	1,470,245	600,273	265,767	866,040
2031-2035	935,167	10,177	945,344	602,807	161,869	764,676
2036-2040	302,744	1,188	303,932	233,219	91,741	324,960
2041-2045	—	—	—	274,513	50,447	324,960
2046-2048	—	—	—	166,563	7,546	174,109
	<u>\$ 5,311,411</u>	<u>\$ 154,888</u>	<u>\$ 5,466,299</u>	<u>\$ 3,052,416</u>	<u>\$ 1,363,464</u>	<u>\$ 4,415,880</u>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Long-Term Debt and Other Long-Term Liabilities (continued)

Aggregate maturities or payments required on principal under long-term debt obligations are as follows: (continued)

	Sewer			Board Total		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 699,799	\$ 98,601	\$ 798,400	\$ 1,350,997	\$ 213,829	\$ 1,564,826
2017	696,522	93,645	790,167	1,034,869	195,587	1,230,456
2018	673,259	89,029	762,288	944,953	187,447	1,132,400
2019	1,173,960	84,447	1,258,407	1,517,636	179,523	1,697,159
2020	1,177,167	78,529	1,255,696	1,526,762	170,026	1,696,788
2021-2025	5,936,715	301,109	6,237,824	7,787,996	701,070	8,489,066
2026-2030	6,029,337	140,727	6,170,064	8,072,360	433,989	8,506,349
2031-2035	2,326,134	10,775	2,336,909	3,864,108	182,821	4,046,929
2036-2040	—	—	—	535,963	92,929	628,892
2041-2045	—	—	—	274,513	50,447	324,960
2046-2048	—	—	—	166,563	7,546	174,109
	<u>\$ 18,712,893</u>	<u>\$ 896,862</u>	<u>\$ 19,609,755</u>	<u>\$ 27,076,720</u>	<u>\$ 2,415,214</u>	<u>\$ 29,491,934</u>

Note 6. Retirement Plans

Defined Benefit Plan:

Summary of Significant Accounting Policies

Method used to value investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Plan Description

Plan Administration

Athens Utilities Board Employees' Pension Plan is a single employer defined benefit pension plan that provides pensions to all employees in all divisions who have met, and continue to meet, the eligibility requirements for participation in the Plan. The Board of Directors has the authority under the Plan to establish contribution rates, change benefit terms, or amend the Plan. A five-member committee is charged with the general administration of the Plan and carrying out the provisions of the Plan. The Committee works in conjunction with the Plan's Trustee, Branch Banking and Trust Company (BB&T). Four committee members are appointed by the Board of Directors while the fifth committee member is appointed by the Committee Chairman.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Plan Membership

	<u>2015</u>	<u>2014</u>
Inactive Plan participants or beneficiaries currently receiving benefits	21	20
Inactive Plan participants entitled to deferred benefits	19	19
Active vested Plan participants as of July 1	<u>77</u>	<u>81</u>
Total	<u>117</u>	<u>120</u>

The Plan does not issue a stand-alone financial report. The Plan is frozen and no new participants may enter if not hired by June 30, 2010. Individuals hired after June 30, 2010, are eligible to participate in the Athens Utilities Board Defined Contribution Plan, discussed later, after the probationary period but shall contribute after six months of service.

Plan Provisions

Plan provisions in effect at June 30, 2015 and 2014.

Eligibility and Benefits

Requirements	Minimum months of service: 12 Minimum age: 25
Entry Dates	1/1 or 7/1 following fulfillment of requirements. <i>The plan is frozen to anyone not hired by 6/30/10.</i>

<u>Normal Retirement Date</u>	First day of the month coinciding with or next following attainment of age 65.
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Normal Retirement Benefit

Benefit Formula	2% of average monthly compensation multiplied by credited service not in excess of 30 years. The minimum monthly benefit is the greater of (1) \$20.00 and (2) the accrued benefit determined as of June 30, 1990.
Average Compensation	Average monthly compensation is determined using the highest 36 consecutive months of a participant's employment.
Credited Service	For periods prior to 7/1/1976, years and completed months of full-time employment since hire. For periods after 6/30/1976, a plan year with 1,000 hours of employment, limited to 42 years.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Plan Provisions (continued)

Normal Form of Benefit	Single life annuity with 120 payments guaranteed.
Actuarial Equivalence	<p>A Participant may elect to receive his benefit in another form of benefit, which is actuarially equivalent to his normal form. Actuarial equivalence is determined using the 1983 GAM for males table, with an interest rate of 5.5%. For the calculation of lump sums, the participant will receive the larger of the amount determined using:</p> <ul style="list-style-type: none">- 1983 GAM for males and 5.5%, or- GATT mortality and the GATT interest rate in effect for the month which is two months preceding the start of the plan year during which the lump sum is paid.
Optional Forms of Benefit	<p>The following optional forms are available: life annuity, joint & survivor annuity (50, 75, or 100%), 5-year certain & life annuity, 15-year certain & life annuity. A lump sum is available to a vested participant who terminates employment, provided that he was hired prior to February 1, 2008. Regardless of a participant's hire date, lump sums less than \$5,000 are mandatory and will be paid out immediately in lieu of all future benefits.</p>
Accrued Benefit	<p>Normal retirement benefit assuming service to NRD multiplied by the number of years of credited service at termination divided by credited service projected to NRD.</p> <p>For the benefit formula effective January 1, 2000, the accrued benefit is based on service and pay to date.</p>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Plan Provisions (continued)

Early Retirement Benefit

Minimum Age: 55

Minimum Service: 15 Years

Benefit Amount. Accrued benefit, reduced by 1/15 for each of the first five years and 1/30 for each of the next five years by which early retirement precedes normal retirement.

Accumulated Sick Leave
Balance

Upon qualifying for an unreduced early retirement benefit, a balance will be established for a participant based on his accumulated unused sick leave (minimum 500 hours needed to create balance) where no more than 1,500 hours of accumulated leave will be taken into account. The balance will be equal to the number of unused hours minus 500, multiplied by the average hourly rate of pay for his final 3 years of credited service prior to retirement.

The account balance may be used to pay medical premiums (individual or family) from the date of retirement until the later of when the participant becomes eligible for Medicare or age 65. After this point, if a younger spouse is still eligible for medical benefits, any remaining account balance may be used for the spouse's premium.

Delayed Retirement

A Participant who remains in employment past NRD will receive the greater of: (1) the benefit accrued at actual retirement, or (2) the actuarial equivalent of the accrued benefit at NRD.

Pre-Retirement Death Benefit

Effective February 1, 2014:

Minimum Age: 45

Minimum Service: 5 Years

Prior to February 2, 2008:

Minimum Age: 55

Minimum Service: 15 Years

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Plan Provisions (continued)

Effective January 1, 2000, the beneficiary of a vested active participant who dies will be entitled to a survivor's benefit. It will be assumed that the participant terminated service on the date of his death, survived to his earliest retirement age, and retired with a 100% Joint & Survivor annuity. Effective February 1, 2008, the payment form was changed to a 100% Joint & Survivor Annuity with 120 guaranteed payments.

Disability Benefit

At the discretion of the employer, a disabled participant may receive a monthly benefit equal to his accrued benefit, payable at NRD. The participant may commence benefits earlier, with appropriate reductions.

Vested Termination Benefit

Effective July 1, 2005, a participant becomes 100% vested after 5 years of service.

Prior to July 1, 2005, upon termination after 5 or more years of service, a participant shall be vested in his accrued benefit according to the following schedule:

<u>Years of Credited Service for Vesting</u>	<u>Vesting Percentage</u>	<u>Years of Credited Service for Vesting</u>	<u>Vesting Percentage</u>
Less than 5	0%	10	50%
5	25%	11	60%
6	30%	12	70%
7	35%	13	80%
8	40%	14	90%
9	45%	15 or more	100%

A participant shall become 100% vested upon attainment of normal retirement age or upon becoming disabled.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Plan Provisions (continued)

Contribution Required

Actuarially determined contributions to the Plan are determined each year as part of the Actuarial Valuation process. These contributions are determined according to the following funding policy:

Actuarial Cost Method:	Entry age normal
Asset Valuation Method:	The asset smoothing method utilized for the Plan shall be that investment gains or losses will be recognized over (5) years, providing that the actuarial value of assets shall not be greater than 120% of market value, nor less than 80% of market value.
Amortization Method:	The amortization policy shall be that the UAAL, as of July 1, 2014 and any changes thereafter as a result of a change in assumptions or methods or benefit or plan changes, shall be amortized over a fixed period of 30 years. The amortization period for experience gains and losses shall be 10 years.

Investments

Investment Policy

The Board has passed an investment policy with the objective to produce growth of assets in accordance with long-term plan objectives and income to assist in meeting current plan distribution requirements. The Plan Trustee, Branch Banking and Trust Company, is responsible for implementing the investment policy. The Board reviews the appropriateness and performance of the policy and investments annually.

The following was the Plan's adopted asset allocation as of June 30, 2015 and 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	42.5%
Fixed income	47.5
Diversifying assets	10.0
Total	<u>100.0%</u>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Investments (continued)

Rate of return

For the years ended June 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.91% and 12.34% per annum, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations

The Plan held a \$591,064 investment in the Sterling Capital Securitized Opportunities Fund which represented more than 5 percent of the Plan's fiduciary net position at June 30, 2015.

Net Pension Liability of the Board

The components of the net pension liability at June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Total pension liabilities	\$ 12,390,418	\$ 11,299,787
Plan fiduciary net position	<u>9,304,794</u>	<u>9,001,792</u>
Board net pension liability	<u>\$ 3,085,624</u>	<u>\$ 2,297,995</u>

Plan fiduciary net position as a percentage of the total pension liability

75.10%

79.66%

Covered-employee payroll

\$ 4,625,267

\$ 4,796,970

Net pension liability as a percentage of covered-employee payroll

66.71%

47.91%

The Plan's fiduciary net position is reported in the Pension Trust Fund as of June 30, 2015. The Board's net pension liability is reported in the enterprise funds as of the measurement date of June 30, 2014, as permitted under the GASB standards.

Actuarial Assumptions for Calculation of the Net Pension Liability

Assumptions for calculation of net pension liability were reviewed as part of an experience study for the period July 1, 2010 through June 30, 2014. Future experience reviews are anticipated every five years.

Measurement Date – June 30, 2015 – Plan. June 30, 2014 – Employer.

Valuation Date – July 1, 2015 – Plan. July 1, 2014 – Employer.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Net Pension Liability of the Board (continued)

Actuarial Assumptions for calculation of the Net Pension Liability (continued)

Mortality – Pre-Retirement: 2012 IRS Combined Static Mortality Table – Plan (2011 Employer)

Post-Retirement: Tennessee Consolidated Retirement System Mortality Table

Discount Rate – 7.00% per annum

Inflation – 2.00% per annum

Salary Projection – 3.00% per annum – Plan 2.50% per annum – Employer

Cost of Living Increase – N/A

Long-Term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	8.78%
Fixed income	3.67
Diversifying assets	5.70

The assumed inflation rate is 2.25% per annum.

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that the Plan contributions will be made according to their established funding policy to contribute the actuarially determined contribution. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate is the single rate that reflects (1) the long-term expected rate of return on Plan investments that are expected to be used to finance the payment of benefits, to the extent that the Plan's fiduciary net position is projected to be sufficient to make projected

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Discount rate (continued)

benefit payments and Plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

The projected cash flows are used to project the Plan's fiduciary net position at the beginning of each period. The Plan's projected fiduciary net position at the beginning of each period is compared to the amount of benefit payments projected to occur in that period. It is assumed that the Plan's fiduciary net position is expected to always be invested using a strategy to achieve the long-term expected rate of return on Plan investments. The benefit payments that are projected to occur in a period are discounted using the long-term expected rate of return on Plan investments if the amount of the Plan's beginning fiduciary net position is projected to be sufficient to make the benefit payments in that period. In periods in which the benefit payments are projected to be greater than the amount of the Plan's fiduciary net position, they are discounted using a municipal bond rate as described in the paragraph above.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Athens Utilities Board's Net Pension Liability – June 30, 2015	\$ 4,976,149	\$ 3,085,624	\$ 1,503,313
Athens Utilities Board's Net Pension Liability – June 30, 2014	4,119,418	2,297,995	786,723

Additional Defined Benefit Plan disclosures for the Athens Utilities Board

The Defined Benefit Plan disclosures represent required disclosures for plans under GASB No. 67 "Financial Reporting for Pension Plans". Certain of these disclosures also pertain to the employer. GASB No. 68 "Accounting and Financial Reporting for Pensions" requires additional employer disclosures not covered elsewhere as follows:

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Additional Defined Benefit Plan disclosures for the Athens Utilities Board (continued)

Additional Board disclosures are made as of the measurement date, June 30, 2014, elected by the Board under GASB No. 68.

The changes in the Board's net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at July 1, 2013	<u>\$ 11,251,036</u>	<u>\$ 7,490,674</u>	<u>\$ 3,760,362</u>
Changes for the year:			
Service cost	281,324	—	281,324
Interest	865,736	—	865,736
Differences between expected and actual experience	157,426	—	157,426
Changes of assumptions	(745,055)	—	(745,055)
Contributions-Employer	—	1,034,813	(1,034,813)
Contributions-Employee	—	—	—
Net investment income	—	988,753	(988,753)
Benefit payments, including refunds of employee contributions	(510,680)	(510,680)	—
Administrative expense	—	(882)	882
Other changes	—	(886)	886
Net changes	<u>48,751</u>	<u>1,511,118</u>	<u>(1,462,367)</u>
Balances at June 30, 2014	<u>\$ 11,299,787</u>	<u>\$ 9,001,792</u>	<u>\$ 2,297,995</u>

The Board recognized pension expense of \$388,276 for 2015. The Board made contributions to the Defined Benefit Plan of \$1,034,813 subsequent to the measurement date of June 30, 2014. These contributions are reported as deferred outflows in the financial statements. The pension expense and the deferred outflows resulting from the subsequent contributions were as follows:

	Power Division	Water Division	Gas Division	Department of Sewer	Total
Pension expense	\$ 214,018	\$ 60,260	\$ 42,245	\$ 71,753	\$ 388,276
Subsequent contributions	490,599	193,318	128,407	222,889	1,034,813

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Retirement Plans (continued)

Additional Defined Benefit Plan disclosures for the Athens Utilities Board (continued)

For the measurement period ended June 30, 2014, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 139,475	\$ -
Changes of assumptions	-	660,100
Net difference between projected and actual earnings on pension plan investments	-	<u>295,204</u>
Total	<u>\$ 139,475</u>	<u>\$955,304</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2015	\$(140,806)
2016	(140,806)
2017	(140,806)
2018	(140,806)
2019	(67,004)
Thereafter	(185,601)

Defined Contribution Plan:

Plan description

The Board established a Money Purchase Plan and Trust, The AUB Defined Contribution Plan, on July 1, 2010. Full-time employees hired on or after July 1, 2010, are eligible to participate after the probationary period but shall contribute after six months of service. Participants are required to make a pretax contribution of 3% of their regular earnings, which is matched by the Board. Participants may make an additional after-tax contribution of up to 4% of their regular earnings, which the Board also matches. The after-tax contribution percentage can be adjusted annually by the Board. Participants' interest in the contributions of the Board vest at 100% upon 5 years of completed service. The Plan is established with ICMA Retirement Corporation as the Plan Administrator. The Board made Plan contributions of \$34,878 during 2015.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Commitments

Commitment to purchase power:

The Power Division has committed to purchase power exclusively from the Tennessee Valley Authority. The current power contract renews annually and is subject to a 5 year notice of cancellation by either party.

Commitment to purchase water:

The Board has a commitment to purchase water under a contract with a utility district. The contract establishes a minimum monthly payment and allows purchases up to 1,476,000 gallons per day to be made. The Board paid approximately \$639,400 during 2015 and \$608,148 during 2014 for water purchased.

Commitment to sell water:

The Board has a commitment to sell water under a contract with a utility district. The contract establishes a minimum monthly payment and allows purchases up to 1,476,000 gallons per day to be made. The Board received approximately \$361,590 for water sold under this contract.

Note 8. Capital Contributions

The Board receives capital contributions from certain governmental agencies to be used for purposes connected with the construction of various projects in each division. Capital contributions are reported as revenue rather than contributed capital as required by GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. The following is a division by division summary for divisions with major capital contributions of current year capital contributions and the connected projects.

The Power Division recognized contributed capital of \$122,277, under a FEMA grant award. Other contributed capital was also received by the Power Division totaling \$56,150 in 2015.

The Water Division recognized \$168,235 of contributed capital during 2015 from principal forgiveness under the State Revolving Fund Loan Program. Contributed capital of \$11,810 resulted from FEMA grant receivable. Contributed capital of \$36,587 resulted from cash contributions for lines.

The Department of Sewer recognized \$644,540 of capital contributions in 2015. Capital contributions resulted from CDBG grant proceeds received by McMinn County and by the City of Athens and utilized by the Board for sewer system improvements, as well as reimbursement by TDOT for relocation of wastewater facilities expenses.

The Gas Division recognized \$13,768 of capital contributions in 2015 from TDOT for reimbursement of relocation of natural gas facilities.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Major Customers

The following Divisions had sales to individual customers exceeding 10 percent of their total operating revenue:

	Number of Customers	Sales	% of Operating Revenue
Power	1	\$ 8,016,654	16%
Sewer	1	1,210,098	25

Note 10. Implementation of Governmental Accounting Standards Board Pronouncement and Restatement of Net Position

As of July 2014, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Pensions". The pronouncement establishes standards for governmental employer recognition, measurement, and presentation of information about pensions provided through certain pension plans.

Under this pronouncement, employers providing certain pensions must measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenses in connection with providing pensions to employees.

The effect of this restatement on net position at July 1, 2014 is as follows:

	Power Division	Water Division	Gas Division	Department of Sewer	Total
Net position, beginning of year, as previously reported	\$43,008,019	\$18,686,465	\$19,020,164	\$23,331,279	\$104,045,872
GASB No. 68 – recognize net pension obligations	(1,925,393)	(553,901)	(396,248)	(683,349)	(3,558,891)
Prior period adjustment See Note 11	—	—	—	(2,012,732)	(2,012,732)
Net position, beginning of year, as restated	<u>\$41,082,626</u>	<u>\$18,132,564</u>	<u>\$18,623,861</u>	<u>\$20,635,198</u>	<u>\$ 98,474,249</u>

Note 11. Prior Period Adjustment – Department of Sewer

The Department of Sewer's beginning net position has been restated by \$2,012,732 to correct errors in depreciation and capital assets for years prior to 2015. See Note 10 for additional information regarding the restatement of the Department of Sewer's net position.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Self-Insurance

The Board is partially self-insured for employee health and life insurance benefits. The benefits are funded through a separately administered health plan, the Athens Utilities Board Employee Health Plan (the Health Plan). The Athens Utilities Board has appointed a Board of Trustees to act as the trustee and administrator of the Health Plan. The Health Plan has purchased stop-loss health insurance to cover individual health claims in excess of \$50,000 and has purchased group life insurance of approximately \$12,000 per participant and \$2,000 per dependent.

Employer contributions were \$506,983 for the Health Plan during 2015. Employer contributions to the Health Plan are based on amounts estimated by the plan supervisor to be adequate to cover current year benefit claims, administrative fees, insurance, and other expenses. Assets held by the Health Plan are considered to be sufficient to cover all claims incurred; therefore, no additional amounts were recorded in the financial statements of the divisions.

Note 13. Risk Management and Contingencies

The Board is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Board carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage and settlement amounts, if any, have not exceeded insurance coverage in the current year.

The Board has received grants for specific purposes which are subject to review by the grantor agencies. Such reviews could lead to a request for reimbursement to the grantor agencies for any expenditures disallowed under the terms of the grants. Management believes that such disallowed costs, if any, would be immaterial.

Note 14. Deferred Compensation

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation balance is not available to employees until termination, retirement, death or unforeseeable emergency.

**REQUIRED
SUPPLEMENTAL INFORMATION**

**ATHENS UTILITIES BOARD
EMPLOYEE RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
LAST 2 YEARS**

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 285,320	\$ 281,324
Interest	782,127	865,736
Differences between expected and actual experience	337,836	157,426
Changes of assumptions	523,220	(745,055)
Benefit payments, including refunds of employee contributions	<u>(837,872)</u>	<u>(510,680)</u>
Net change in total pension liability	1,090,631	48,751
Total pension liability - beginning	<u>11,299,787</u>	<u>11,251,036</u>
Total pension liability - ending (a)	<u><u>\$12,390,418</u></u>	<u><u>\$11,299,787</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 1,034,813	\$ 1,034,813
Contributions - employee	-	-
Net investment income	107,156	988,753
Benefit payments, including refunds of employee contributions	(837,872)	(510,680)
Administrative expense	(1,095)	(882)
Other	<u>-</u>	<u>(886)</u>
Net change in plan fiduciary net position	303,002	1,511,118
Plan fiduciary net position - beginning	<u>9,001,792</u>	<u>7,490,674</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 9,304,794</u></u>	<u><u>\$ 9,001,792</u></u>
 Net pension liability - ending (a) - (b)	<u><u>\$ 3,085,624</u></u>	<u><u>\$ 2,297,995</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	75.10%	79.66%
 Covered-employee payroll	\$ 4,625,267	\$ 4,796,970
 Net pension liability as a percentage of covered-employee payroll	66.71%	47.91%

NOTE: This schedule will present 10 years of information as it becomes available.

**ATHENS UTILITIES BOARD
EMPLOYEE RETIREMENT PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
LAST 2 YEARS**

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 513,298	\$ 794,813
Contributions in relation to the actuarially determined contribution	<u>1,034,813</u>	<u>1,034,813</u>
Contribution deficiency (excess)	<u>\$ (521,515)</u>	<u>\$ (240,000)</u>
Covered-employee payroll	4,625,267	4,796,970
Contributions as a percentage of covered-employee payroll	22.37%	21.57%

NOTES TO SCHEDULE

Valuation Date:

The actuarially determined contribution shown above is calculated using the following assumptions.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age normal, level percentage of compensation
Amortization method:	Level dollar, closed
Remaining amortization period:	30 years
Asset valuation method:	Market value of plan assets adjusted to phase in asset gains and losses over a five-year period at a rate of 20% per year. Valuation assets are further limited to a 20% corridor around market value.
Salary increases:	2.5% per annum
Investment rate of return:	7.0% per annum
Retirement age:	Age 64 for those who satisfy Rule of 90, 100% at Age 65
Mortality:	Pre-Retirement: IRS 2011 Combined Static Mortality Table Post-Retirement: TCRS Mortality Table

NOTE: This schedule will present 10 years of information as it becomes available.

**ATHENS UTILITIES BOARD
EMPLOYEE RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST 2 YEARS**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, Net of investment expense	0.91%	12.34%

NOTE: This schedule will present 10 years of information as it becomes available.

ACCOMPANYING INFORMATION

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2015**

	Interest Rate	Maturity Date	Cost	FMV
Federal Home Loan Mortgage Corporation	2.375	01/13/22	\$ 126,830	\$ 126,559
Federal Home Loan Mortgage Corporation	0.875	10/14/16	201,177	201,120
Federal National Mortgage Association	5.000	05/11/17	165,830	161,876
Federal National Mortgage Association	5.375	06/12/17	166,365	163,377
US Treasury Note	3.750	11/15/18	110,902	108,617
US Treasury Note	1.875	09/30/17	153,871	153,796
US Treasury Note	3.125	05/15/21	75,639	74,873
US Treasury Note	1.000	08/31/16	176,538	176,258
US Treasury Bond	2.750	02/15/24	52,252	51,910
Accenture PLC CL A	-	-	17,708	21,775
AIA Group	-	-	14,284	23,566
L'Air Liquide	-	-	14,947	17,646
Akzo N V Sponsored ADR	-	-	26,566	33,574
Allianz Group	-	-	13,919	17,123
Anheuser-Busch InBev NV SPN ADR	-	-	8,710	12,067
Arm Holdings	-	-	8,903	13,056
Aryzta AG-Unsponsored ADR	-	-	3,158	2,357
Atlas Copco Group	-	-	8,446	9,367
Aviva PLC	-	-	16,962	20,708
AXA SA	-	-	5,821	9,203
Baidu.com, Inc.	-	-	9,255	11,945
Balfour Beatty PLC	-	-	7,282	5,593
Banco Bilbao Vizcaya SP ADR	-	-	9,072	8,537
Barclays PLC	-	-	22,446	23,263
Bayer A G Sponsored ADR	-	-	9,835	15,388
Bayerische Motoren Werke Unspons ADR	-	-	12,002	12,945
BG Group PLC Spon ADR	-	-	21,606	19,996
BNP Paribas	-	-	16,789	18,251
British American Tobacco	-	-	28,818	29,227
Bunge Limited	-	-	8,553	10,536
Canadian National RY Company	-	-	7,986	11,839
Carnival Corporation PLC	-	-	14,375	19,486
China Mobile HK	-	-	17,007	18,266
Clariant AG-Unsponsored ADR	-	-	9,976	11,071

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
CNOOC LTD	-	-	\$ 12,864	\$ 11,354
Compagnie Financiere Richemont	-	-	9,160	8,301
Core Laboratories NV	-	-	3,503	3,421
Credit Suisse Group ADR	-	-	11,847	10,902
CSL Limited	-	-	6,830	10,799
DBS Group Holdings Limited	-	-	7,197	9,834
Daimler AG	-	-	6,759	12,735
Dassault Systems S.A.	-	-	15,999	23,254
East Japan Railway Co	-	-	18,840	22,194
Eaton Corp PLC	-	-	11,469	10,123
Fanuc Limited	-	-	16,494	20,667
Fresenius USA Inc	-	-	8,041	9,982
Fuchs Petrolu Se-Pref ADR	-	-	7,340	7,018
GDF Suez Spons ADR	-	-	19,470	14,183
Givaudan SA Unspn ADR	-	-	3,172	5,194
Glaxosmithkline PLC Sponsored ADR	-	-	22,657	21,241
Hitachi LTD	-	-	23,496	22,747
Hong Kong Exchanges & Clearing	-	-	2,922	6,353
HSBC Holdings PLC	-	-	29,703	26,662
ICICI Bank Limited	-	-	12,533	14,328
Imperial Oil Limited	-	-	20,330	19,310
International Consolidated Airlines Group	-	-	10,748	15,171
Itau Unibanco Banco Multiplo S.A.	-	-	10,301	8,640
JGC Corporation	-	-	25,455	16,816
Kamatsu LTD	-	-	14,257	13,252
KBC Groep NV UNSP ADR	-	-	7,218	9,183
KDDI Corporation Unspn ADR	-	-	20,475	32,287
Kingfisher PLC-Spons ADR	-	-	9,183	9,777
Kone OYJ-B-Unsponsored ADR	-	-	7,631	6,895
Linde AG Spon ADR	-	-	25,408	26,502
L'Oreal S.A.	-	-	12,509	15,510
LVMH Moet-Hennessey-Louis-Vuitton S.A.	-	-	6,228	6,654
Lloyds TSB Group	-	-	18,009	20,824
Michael Kors Holding	-	-	8,279	4,630
Mitsubishi Estate Company LTD	-	-	8,811	6,571

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
Monotaro Co LTD. UNSP ADR	-	-	\$ 3,052	\$ 5,276
MTN Group	-	-	10,516	9,894
Nestle S.A.	-	-	18,659	21,668
Nikon Corporation PLC UNSPON ADR	-	-	19,658	13,192
Novartis A G ADR	-	-	29,004	43,073
Novo-Nordisk	-	-	11,535	16,428
Pearson PLC	-	-	11,308	11,186
Perrigo Co PLC	-	-	6,161	7,393
Postnl NV ADR	-	-	5,233	6,392
Reed Elsevier NV	-	-	14,016	24,596
Roche Holding Limited	-	-	28,362	36,271
Ryanair Holdings PLC	-	-	3,314	6,421
Sands China	-	-	11,094	4,881
Sanofi Synthelabo S.A.	-	-	23,154	25,260
SAP SE ADR	-	-	26,460	28,794
Sasol Ltd	-	-	5,062	4,077
Schlumberger Ltd.	-	-	22,608	25,857
Schneider Electric S.A.	-	-	30,096	26,981
Seagate Technology	-	-	13,267	10,212
Shin-Etsu Chemical Co., Ltd.	-	-	9,544	10,635
Shire Pharmaceuticals Group PLC	-	-	6,129	7,245
SK Telecom Co., Ltd.	-	-	19,250	20,452
Sonova Holding AG	-	-	4,142	6,627
SSE PLC-SPN ADR	-	-	18,159	18,118
Sumitomo Mitsui Spons ADR	-	-	15,400	16,358
Svenska Handelsb-A	-	-	5,308	5,906
Symrise AG ADR	-	-	5,858	7,056
Sysmex Corp	-	-	9,906	22,819
Taiwan Semiconductor Manufacturing Company	-	-	17,874	23,732
Technip-Coflexip SA ADR	-	-	17,768	12,604
Total SA	-	-	21,021	20,160
Toyota Motor Corporation	-	-	14,612	20,062
Turkiye Garanti Bankasi A.S.	-	-	9,468	6,991
UBS Group AG	-	-	25,257	29,786
Unicharm Corporation	-	-	11,151	16,001

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
Unilever PLC	-	-	\$ 23,353	\$ 27,709
Unilever N V NY	-	-	9,349	10,251
Vodafone Group PLC-SP ADR	-	-	20,292	16,184
Volkswagan AG	-	-	23,492	21,738
WPP PLC	-	-	12,485	20,290
Zurich Insurance Group ADR	-	-	14,836	17,054
Invesco Finance PLC	3.125	11/30/22	60,098	59,309
Lloyds Bank PLC	2.300	11/27/18	50,328	50,529
Manulife Financial Corporation	4.900	09/17/20	56,032	55,425
Royal Bank of Scotland	5.625	08/24/20	58,495	56,284
Shell International Financial	4.300	09/22/19	56,397	54,493
AT&T, Inc.	5.800	02/15/19	58,047	55,902
Aetna, Inc.	2.200	03/15/19	60,037	60,079
Altria Group, Inc.	4.750	05/05/21	56,876	54,183
American International Group	5.850	01/16/18	57,873	55,124
Apache Corporation	3.250	04/15/22	25,184	24,586
Capital One Financial Company	6.750	09/15/17	59,310	55,334
Caterpillar Financial SE	7.150	02/15/19	61,862	58,865
Citigroup, Inc.	3.750	06/16/24	50,325	50,296
The Coca-Cola Co.	3.150	11/15/20	42,154	41,711
Comcast Corporation	5.700	05/15/18	58,913	55,621
Energy Transfer Partners	4.650	06/01/21	53,135	51,317
General Elec Capital Corporation	5.300	02/11/21	53,832	56,222
George Washington University	3.576	09/15/21	25,397	25,927
Goldman Sachs Group, Inc.	6.250	09/01/17	55,640	54,738
Humana, Inc.	3.150	12/01/22	48,825	48,228
JP Morgan Chase & Company	6.000	01/15/18	56,966	55,075
KeyCorp	2.300	12/13/18	50,295	50,442
Merrill Lynch & Company	6.875	04/25/18	56,174	56,484
Morgan Stanley	2.500	01/24/19	60,739	60,557
Norfolk Southern Corporation	5.750	04/01/18	56,353	55,268
Northwestern University	1.850	12/01/18	50,000	50,111

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
Prudential Financial, Inc.	6.000	12/01/17	\$ 67,342	\$ 66,205
Charles Schwab Corporation	4.450	07/22/20	55,037	55,266
Simon Property Group	2.150	09/15/17	50,946	50,891
Southern Company	2.450	09/01/18	50,256	51,044
Toyota Motor Credit Corporation	1.750	05/22/17	50,607	50,692
The Travelers Companies, Inc.	3.900	11/01/20	54,851	53,760
US Bancorp	2.200	11/15/16	61,067	61,034
United Technologies Corporation	4.500	04/15/20	56,281	55,037
Verizon Communications	1.761	09/15/16	40,734	40,492
Wachovia Corporation	5.750	06/15/17	56,367	54,309
Zimmer Biomet Holdings, Inc.	2.000	04/01/18	50,054	50,018
Abbott Laboratories	-	-	10,646	16,196
AbbVie Inc.	-	-	6,236	10,750
American Express Company	-	-	13,810	12,435
Anthem, Inc.	-	-	6,729	16,414
Apple, Inc.	-	-	9,101	19,943
Baxter International, Inc.	-	-	14,055	15,385
Bristol-Myers Squibb Company	-	-	10,951	13,641
Celgene Corporation	-	-	12,031	14,467
The Coca-Cola Co	-	-	12,002	11,573
Cognizant Technology Solutions	-	-	6,303	7,331
Comcast Corporation	-	-	9,534	13,532
Danaher Corporation	-	-	9,530	14,122
Dunkin' Brands Group, Inc.	-	-	10,232	12,925
Ecolab, Inc.	-	-	5,721	5,654
EMC Corporation	-	-	10,669	9,764
Express Scripts	-	-	9,660	13,341
General Electric Company	-	-	19,413	20,193
General Mills, Inc.	-	-	10,149	13,373
Genesee, Inc.	-	-	5,739	4,571
Gilead Sciences, Inc.	-	-	9,275	30,441
Google, Inc.	-	-	24,863	28,628
Honeywell International	-	-	15,431	15,296

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
Host Marriot Corporation	-	-	\$ 17,118	\$ 16,459
IBM Corporation	-	-	14,005	14,639
IntercontinentalExchange Group, Inc.	-	-	8,396	11,181
Kinder Morgan Management LLC	-	-	19,986	20,347
KKR & Co. LP	-	-	12,664	12,225
Linear Technology Corporation	-	-	9,271	8,625
Lowe's Companies, Inc.	-	-	9,038	12,389
Maxim Integrated Products	-	-	18,729	21,436
McDonald's Corporation	-	-	14,877	14,736
MetLife, Inc.	-	-	16,262	22,676
Microsoft Corporation	-	-	7,320	11,037
Monsanto Company	-	-	19,137	23,450
Occidental Petroleum	-	-	23,183	22,553
Omnicom Group	-	-	10,773	13,898
Pepsico, Inc.	-	-	15,234	21,001
Pfizer, Inc.	-	-	15,243	20,956
Phillip Morris International, Inc.	-	-	16,290	14,431
Priceline.com, Inc.	-	-	9,370	11,514
Qualcomm, Inc.	-	-	27,684	27,557
Raymond James Financial, Inc.	-	-	8,836	9,235
Scotts Company	-	-	11,504	10,954
Spectra Energy	-	-	18,824	19,886
Starbucks Corporation	-	-	8,747	19,569
Texas Instruments	-	-	9,662	13,393
Time Warner, Inc.	-	-	10,513	17,817
Twenty First Century Fox, Inc.	-	-	12,347	11,553
United Parcel Service, Inc.	-	-	15,489	17,928
Verizon Communications, Inc.	-	-	21,640	21,068
Visa, Inc.	-	-	11,463	14,437
Wells Fargo & Company	-	-	22,123	22,777
AQR Managed Futures Strategy Fund	-	-	41,809	44,078
Avenue Credit Strategies Fund	-	-	47,125	45,594
Cohen & Steers International Realty Fund	-	-	232,069	201,650

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
Credit Suisse Commodity Return Strategy Fund	-	-	\$ 239,646	\$ 226,986
Driehaus Select Credit Fund	-	-	48,895	45,022
Federated MDT Small Cap Growth Fund	-	-	60,554	66,734
Forward International Small Companies Fund	-	-	222,539	263,969
Goldman Sachs Growth Opportunities Fund	-	-	201,220	209,069
Lazard Emerging Markets Portfolio Institutional Class Fund	-	-	352,409	327,919
Morgan Stanley Institutional Fund	-	-	117,125	110,190
Oppenheimer Developing Markets Fund	-	-	220,956	222,494
Sterling Capital L/S Equity-Ins Fund	-	-	205,113	204,884
Sterling Capital Mid Value Fund	-	-	296,193	310,905
Sterling Capital Securitized Opportunities Fund	-	-	598,168	591,064
Sterling Capital Special Opportunities Fund	-	-	115,891	125,202
Virtus Quality Small Cap Fund	-	-	108,179	100,616
Dallas County TX Hospital District Bond	4.948	08/15/20	41,754	38,826
Energy Northwest WA Electric Bond	2.803	07/01/21	50,456	51,065
Frisco TX Economic Development Bond	2.750	02/15/20	62,367	61,253
Illinois ST Build America Bond	6.125	07/01/21	48,798	49,010
Lake County IL Warren Township High School District Bond	2.294	03/01/20	50,000	50,272
Los Angeles CA Community College District Bond	3.009	08/01/23	51,743	50,846
Metropolitan Transportation Authority NY Bond	5.369	11/15/21	34,813	34,210
New York NY Build America Bonds	5.049	12/01/21	45,372	45,194
Richmond VA Public Improvement Bond	2.599	07/15/21	50,552	50,846
Tennessee ST Bond-Series C Bond	3.378	06/01/22	78,789	79,151
Williamson County TX Bond	2.000	02/15/21	75,394	73,874
			<u>\$ 8,974,747</u>	<u>\$ 9,225,598</u>

ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015

Fiscal Year Ending 6/30	Pooled Loan Program Series 2003			Power Division Pooled Loan Program Series 2008			Tax and Revenue Refunding Bonds Series 2009		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 75,000	\$ 7,141	\$ 82,141	\$ 62,000	\$ 5,820	\$ 67,820	\$ 332,500	\$ 9,880	\$ 342,380
2017	90,000	6,946	96,946	64,000	5,658	69,658	-	-	-
2018	90,000	6,711	96,711	67,000	5,492	72,492	-	-	-
2019	183,750	6,477	190,227	70,000	5,317	75,317	-	-	-
2020	183,750	5,999	189,749	73,000	5,135	78,135	-	-	-
2021	183,750	5,520	189,270	77,000	4,945	81,945	-	-	-
2022	183,750	5,042	188,792	80,000	4,745	84,745	-	-	-
2023	183,750	4,564	188,314	84,000	4,537	88,537	-	-	-
2024	183,750	4,085	187,835	88,000	4,318	92,318	-	-	-
2025	183,750	3,607	187,357	92,000	4,089	96,089	-	-	-
2026	183,750	3,129	186,879	96,000	3,849	99,849	-	-	-
2027	183,750	2,650	186,400	100,000	3,599	103,599	-	-	-
2028	183,750	2,172	185,922	105,000	3,339	108,339	-	-	-
2029	183,750	1,694	185,444	109,000	3,066	112,066	-	-	-
2030	183,750	1,215	184,965	114,000	2,782	116,782	-	-	-
2031	183,750	737	184,487	119,000	2,485	121,485	-	-	-
2032	99,417	259	99,676	125,000	2,176	127,176	-	-	-
2033	-	-	-	130,000	1,850	131,850	-	-	-
2034	-	-	-	136,000	1,512	137,512	-	-	-
2035	-	-	-	142,000	1,158	143,158	-	-	-
2036	-	-	-	149,000	788	149,788	-	-	-
2037	-	-	-	153,744	400	154,144	-	-	-
TOTAL	\$ 2,743,167	\$ 67,948	\$ 2,811,115	\$ 2,235,744	\$ 77,060	\$ 2,312,804	\$ 332,500	\$ 9,880	\$ 342,380

(continued)
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ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015
(continued)

Fiscal Year Ending 6/30	Total Power Division		
	Principal	Interest	Total
2016	\$ 469,500	\$ 22,841	\$ 492,341
2017	154,000	12,604	166,604
2018	157,000	12,203	169,203
2019	253,750	11,794	265,544
2020	256,750	11,134	267,884
2021	260,750	10,465	271,215
2022	263,750	9,787	273,537
2023	267,750	9,101	276,851
2024	271,750	8,403	280,153
2025	275,750	7,696	283,446
2026	279,750	6,978	286,728
2027	283,750	6,249	289,999
2028	288,750	5,511	294,261
2029	292,750	4,760	297,510
2030	297,750	3,997	301,747
2031	302,750	3,222	305,972
2032	224,417	2,435	226,852
2033	130,000	1,850	131,850
2034	136,000	1,512	137,512
2035	142,000	1,158	143,158
2036	149,000	788	149,788
2037	153,744	400	154,144
TOTAL	\$ 5,311,411	\$ 154,888	\$ 5,466,299

ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015
(continued)

Fiscal Year Ending 6/30	Pooled Loan Program				Water Division			
	Series 1995		Series 2009		Series 2009		Series 2009	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Total
2016	\$ 100,000	\$ 877	\$ 100,877	\$ 22,742	\$ 42,250	\$ 64,992	\$ 22,742	\$ 64,992
2017	100,000	477	100,477	23,495	41,497	64,992	23,495	64,992
2018	27,600	101	27,701	24,274	40,718	64,992	24,274	64,992
2019	-	-	-	25,078	39,914	64,992	25,078	64,992
2020	-	-	-	25,909	39,083	64,992	25,909	64,992
2021	-	-	-	26,768	38,224	64,992	26,768	64,992
2022	-	-	-	27,655	37,337	64,992	27,655	64,992
2023	-	-	-	28,572	36,420	64,992	28,572	64,992
2024	-	-	-	29,519	35,473	64,992	29,519	64,992
2025	-	-	-	30,497	34,495	64,992	30,497	64,992
2026	-	-	-	31,508	33,484	64,992	31,508	64,992
2027	-	-	-	32,552	32,440	64,992	32,552	64,992
2028	-	-	-	33,631	31,361	64,992	33,631	64,992
2029	-	-	-	34,745	30,247	64,992	34,745	64,992
2030	-	-	-	35,897	29,095	64,992	35,897	64,992
2031	-	-	-	37,086	27,906	64,992	37,086	64,992
2032	-	-	-	38,316	26,676	64,992	38,316	64,992
2033	-	-	-	39,585	25,407	64,992	39,585	64,992
2034	-	-	-	40,897	24,095	64,992	40,897	64,992
2035	-	-	-	42,253	22,739	64,992	42,253	64,992
2036	-	-	-	43,653	21,339	64,992	43,653	64,992
2037	-	-	-	45,100	19,892	64,992	45,100	64,992
2038	-	-	-	46,594	18,398	64,992	46,594	64,992
2039	-	-	-	48,138	16,854	64,992	48,138	64,992
2040	-	-	-	49,734	15,258	64,992	49,734	64,992
2041	-	-	-	51,382	13,610	64,992	51,382	64,992
2042	-	-	-	53,085	11,907	64,992	53,085	64,992
2043	-	-	-	54,844	10,148	64,992	54,844	64,992
2044	-	-	-	56,662	8,330	64,992	56,662	64,992
2045	-	-	-	58,540	6,452	64,992	58,540	64,992
2046	-	-	-	60,480	4,512	64,992	60,480	64,992
2047	-	-	-	62,484	2,508	64,992	62,484	64,992
2048	-	-	-	43,599	526	44,125	43,599	44,125
TOTAL	\$ 227,600	\$ 1,455	\$ 229,055	\$ 1,305,274	\$ 818,595	\$ 2,123,869	\$ 1,305,274	\$ 2,123,869

(continued)
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ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015
(continued)

Fiscal Year Ending 6/30	Water Division			Total Water Division		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 58,956	\$ 49,260	\$ 108,216	\$ 181,698	\$ 92,387	\$ 274,085
2017	60,852	47,364	108,216	184,347	89,338	273,685
2018	62,820	45,396	108,216	114,694	86,215	200,909
2019	64,848	43,368	108,216	89,926	83,282	173,208
2020	66,936	41,280	108,216	92,845	80,363	173,208
2021	69,096	39,120	108,216	95,864	77,344	173,208
2022	71,328	36,888	108,216	98,983	74,225	173,208
2023	73,632	34,584	108,216	102,204	71,004	173,208
2024	76,008	32,208	108,216	105,527	67,681	173,208
2025	78,456	29,760	108,216	108,953	64,255	173,208
2026	80,988	27,228	108,216	112,496	60,712	173,208
2027	83,604	24,612	108,216	116,156	57,052	173,208
2028	86,304	21,912	108,216	119,935	53,273	173,208
2029	89,088	19,128	108,216	123,833	49,375	173,208
2030	91,956	16,260	108,216	127,853	45,355	173,208
2031	94,932	13,284	108,216	132,018	41,190	173,208
2032	97,992	10,224	108,216	136,308	36,900	173,208
2033	101,148	7,068	108,216	140,733	32,475	173,208
2034	104,424	3,792	108,216	145,321	27,887	173,208
2035	6,174	678	6,852	48,427	23,417	71,844
2036	-	-	-	43,653	21,339	64,992
2037	-	-	-	45,100	19,892	64,992
2038	-	-	-	46,594	18,398	64,992
2039	-	-	-	48,138	16,854	64,992
2040	-	-	-	49,734	15,258	64,992
2041	-	-	-	51,382	13,610	64,992
2042	-	-	-	53,085	11,907	64,992
2043	-	-	-	54,844	10,148	64,992
2044	-	-	-	56,662	8,330	64,992
2045	-	-	-	58,540	6,452	64,992
2046	-	-	-	60,480	4,512	64,992
2047	-	-	-	62,484	2,508	64,992
2048	-	-	-	43,599	526	44,125
TOTAL	\$ 1,519,542	\$ 543,414	\$ 2,062,956	\$ 3,052,416	\$ 1,363,464	\$ 4,415,880

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ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015
(continued)

Fiscal Year Ending 6/30	Department of Sewer				Public Building Authority of the City of Clarksville, TN Notes Payable			
	State of Tennessee Note Payable		Total		Principal		Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Total
2016	\$ 91,263	\$ 624	\$ 91,887	\$ 485,000	\$ 42,477	\$ 527,477		
2017	-	-	-	570,000	41,131	611,131		
2018	-	-	-	543,680	39,572	583,252		
2019	-	-	-	1,041,250	38,121	1,079,371		
2020	-	-	-	1,041,250	35,410	1,076,660		
2021	-	-	-	1,041,250	32,700	1,073,950		
2022	-	-	-	1,041,250	29,989	1,071,239		
2023	-	-	-	1,041,250	27,279	1,068,529		
2024	-	-	-	1,041,250	24,568	1,065,818		
2025	-	-	-	1,041,250	21,858	1,063,108		
2026	-	-	-	1,041,250	19,148	1,060,398		
2027	-	-	-	1,041,250	16,437	1,057,687		
2028	-	-	-	1,041,250	13,727	1,054,977		
2029	-	-	-	1,041,250	11,016	1,052,266		
2030	-	-	-	1,041,250	8,306	1,049,556		
2031	-	-	-	1,041,250	5,595	1,046,845		
2032	-	-	-	1,108,156	2,885	1,111,041		
TOTAL	\$ 91,263	\$ 624	\$ 91,887	\$ 16,243,086	\$ 410,219	\$ 16,653,305		

(continued)
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ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015
(continued)

Fiscal Year Ending 6/30	Department of Sewer			Total Department of Sewer		
	State Revolving Fund Loans					
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 123,536	\$ 55,500	\$ 179,036	\$ 699,799	\$ 98,601	\$ 798,400
2017	126,522	52,514	179,036	696,522	93,645	790,167
2018	129,579	49,457	179,036	673,259	89,029	762,288
2019	132,710	46,326	179,036	1,173,960	84,447	1,258,407
2020	135,917	43,119	179,036	1,177,167	78,529	1,255,696
2021	139,201	39,835	179,036	1,180,451	72,535	1,252,986
2022	142,565	36,471	179,036	1,183,815	66,460	1,250,275
2023	146,010	33,026	179,036	1,187,260	60,305	1,247,565
2024	149,538	29,498	179,036	1,190,788	54,066	1,244,854
2025	153,151	25,885	179,036	1,194,401	47,743	1,242,144
2026	156,852	22,184	179,036	1,198,102	41,332	1,239,434
2027	160,642	18,394	179,036	1,201,892	34,831	1,236,723
2028	164,523	14,513	179,036	1,205,773	28,240	1,234,013
2029	168,499	10,537	179,036	1,209,749	21,553	1,231,302
2030	172,571	6,465	179,036	1,213,821	14,771	1,228,592
2031	176,728	2,295	179,023	1,217,978	7,890	1,225,868
2032	-	-	-	1,108,156	2,885	1,111,041
TOTAL	\$ 2,378,544	\$ 486,019	\$ 2,864,563	\$ 18,712,893	\$ 896,862	\$ 19,609,755

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ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015
(continued)

Fiscal Year	Ending 6/30	Total Board Debt Service		
		Principal	Interest	Total
2016		\$ 1,350,997	\$ 213,829	\$ 1,564,826
2017		1,034,869	195,587	1,230,456
2018		944,953	187,447	1,132,400
2019		1,517,636	179,523	1,697,159
2020		1,526,762	170,026	1,696,788
2021		1,537,065	160,344	1,697,409
2022		1,546,548	150,472	1,697,020
2023		1,557,214	140,410	1,697,624
2024		1,568,065	130,150	1,698,215
2025		1,579,104	119,694	1,698,798
2026		1,590,348	109,022	1,699,370
2027		1,601,798	98,132	1,699,930
2028		1,614,458	87,024	1,701,482
2029		1,626,332	75,688	1,702,020
2030		1,639,424	64,123	1,703,547
2031		1,652,746	52,302	1,705,048
2032		1,468,881	42,220	1,511,101
2033		270,733	34,325	305,058
2034		281,321	29,399	310,720
2035		190,427	24,575	215,002
2036		192,653	22,127	214,780
2037		198,844	20,292	219,136
2038		46,594	18,398	64,992
2039		48,138	16,854	64,992
2040		49,734	15,258	64,992
2041		51,382	13,610	64,992
2042		53,085	11,907	64,992
2043		54,844	10,148	64,992
2044		56,662	8,330	64,992
2045		58,540	6,452	64,992
2046		60,480	4,512	64,992
2047		62,484	2,508	64,992
2048		43,599	526	44,125
TOTAL		\$ 27,076,720	\$ 2,415,214	\$ 29,491,934

**ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2015**

Power Division

Residential rates - RS:

Customer availability charge per month		\$ 15.68
Energy charge per kwh:	Summer	0.08877
	Winter	0.08579
	Transition	0.08393

General power - GSA:

Part 1 (0 - 50 kw demand and 0 - 15,000 kwh):

Customer availability charge per month		\$ 31.93
Energy charge per kwh (first 15,000 kwh)	Summer	0.09802
	Winter	0.09503
	Transition	0.09319

Part 1 Seasonal (0 - 50 kw demand and
0 - 15,000 kwh):

Customer availability charge per month		\$ 31.93
Energy charge per kwh (first 15,000 kwh)	Summer	0.11172
	Winter	0.10873
	Transition	0.10689

Part 2 (51 - 1,000 kw or over 15,000 kwh):

Customer availability charge per month		\$ 162.74
Summer		
Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	14.16
Energy charge per kwh:	First 15,000 kwh	0.09688
	Additional kwh	0.05930
Winter		
Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	13.28
Energy charge per kwh:	First 15,000 kwh	0.09389
	Additional kwh	0.05646
Transition		
Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	13.28
Energy charge per kwh:	First 15,000 kwh	0.09205
	Additional kwh	0.05530

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2015
(continued)

Power Division (continued)

General power - GSA: (continued)

Part 2 Seasonal (51 - 1,000 kw or over 15,000 kwh):

Customer availability charge per month \$ 162.74

Summer

Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	18.28

Energy charge per kwh:	First 15,000 kwh	0.11058
	Additional kwh	0.05930

Winter

Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	17.40

Energy charge per kwh:	First 15,000 kwh	0.10759
	Additional kwh	0.05646

Transition

Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	17.40

Energy charge per kwh:	First 15,000 kwh	0.10575
	Additional kwh	0.05530

Part 3 (1,001 - 2,500 kw):

Customer availability charge per month \$ 618.00

Summer

Demand charge per kw:	First 1,000 kw	15.73
	Additional kw	15.23

Energy charge per kwh (all kwh)		0.06262
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Winter

Demand charge per kw:	First 1,000 kw	14.85
	Additional kw	14.35

Energy charge per kwh (all kwh)		0.05978
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Transition

Demand charge per kw:	First 1,000 kw	14.85
	Additional kw	14.35

Energy charge per kwh (all kwh)		0.05862
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Part 3 Seasonal (1,001 - 2,500 kw):

Customer availability charge per month \$ 618.00

Summer

Demand charge per kw:	First 1,000 kw	19.85
	Additional kw	19.35

Energy charge per kwh (all kwh)		0.06262
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Winter

Demand charge per kw:	First 1,000 kw	18.97
	Additional kw	18.47

Energy charge per kwh (all kwh)		0.05978
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ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2015
(continued)

Power Division (continued)

General power - GSA: (continued)

Part 3 Seasonal (1,001 - 2,500 kw): (continued)

Transition

Demand charge per kw:	First 1,000 kw	\$ 18.97
	Additional kw	18.47
Energy charge per kwh (all kwh)		0.05862

General power - SMSB:

Customer availability charge per month \$1,500.00

Administrative charge 350.00

Summer

Demand charge per kw 19.65

Energy charge per kwh 0.04047

Winter

Demand charge per kw 12.99

Energy charge per kwh 0.03559

Transition

Demand charge per kw 7.98

Energy charge per kwh 0.03444

General power - SMSD:

Customer availability charge per month \$1,500.00

Administrative charge 350.00

Summer

Demand charge per kw 22.08

Energy charge per kwh 0.03265

Winter

Demand charge per kw 15.42

Energy charge per kwh 0.02898

Transition

Demand charge per kw 10.41

Energy charge per kwh 0.02809

Outdoor lighting - LS:

Part A - Street lighting systems, traffic signal systems, and
athletic field lighting installation:

Customer availability charge per month \$ 2.50

Investment charge: (annual rate per \$1 investment) .12

Investment charge for athletic lighting systems: (annual rate per \$1 investment) .12

Energy charge: all kwh 0.06887

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2015
(continued)

Power Division (continued)

Outdoor lighting - LS: (continued)

Part B - Individual outdoor lighting:

Mercury vapor - per light per month:	175w	\$ 8.56
	400w	16.96
	1,000w	37.02
High pressure sodium - per light per month:	100w	8.19
	100w - decorative	12.18
	250w	15.34
	400w	19.78
	1,000w	40.24
High pressure sodium (Floods)		
Installation charge - per light per month:	250w	\$ 17.30
	400w	22.01
Metal halide - per light per month:	175w	19.94
	400w flood	20.09
	400w box	26.51
	1,000w flood	40.65

Pole charge per month		\$ 2.00
-----------------------	--	---------

Number of customers at year-end:

Residential	10,924
Commercial	1,954
Industrial	267
Street and athletic	21
Outdoor lighting	1,930

Water Division

	<u>Inside City</u>	<u>Outside City</u>
Service availability charge per month	\$ 9.50	\$ 10.50
Charge per 1,000 gallons per month	2.70	2.70
Charge per 1,000 gallons over 5,000	4.25	4.25

Charges over 5,000 as disclosed are based on 5/8 inch residential service. The volume tier and water rate charged vary for larger meters.

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2015
(continued)

The single use monthly minimum bill shall be determined by the size of the meter serving the account as shown below:

<u>Meter Size</u>	<u>Net Minimum</u>
5/8 inch	\$ 9.50
1 inch	25.00
1 ¼ / 1 ½ inch	50.00
2 inch	100.00
3 inch	200.00
4 inch	400.00
6 inch	600.00

Number of customers at year-end:

Residential	6,785
Commercial	1,121
Industrial	24

Gas Division

	<u>Customer Charge (per month)</u>	<u>Commodity Charge (per therm)</u>	<u>PGA (per therm)</u>
Residential	\$ 6.00	\$ 0.3848	\$ 0.5168
Residential discount	5.00	0.3548	0.5168
Small commercial	10.00	0.2319	0.5168

	<u>Industrial</u>		<u>Interruptible</u>	
	<u>Load factor .50 or greater (discounted)</u>	<u>Load factor less than .50</u>	<u>Load factor .50 or greater (discounted)</u>	<u>Load factor less than .50</u>
Customer charge (per month)	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Commodity charge (per therm):				
Demand	—	—	0.1540	0.1960
For firm plus PGA	—	—	0.1570	0.1780
First 10,000 plus PGA	0.1570	0.1780	0.1500	0.1710
From 10,001-20,000 plus PGA	0.1430	0.1640	0.1360	0.1570
From 20,001-40,000 plus PGA	0.1290	0.1506	0.1220	0.1430
Over 40,000 plus PGA	0.1151	0.1366	0.0880	0.1090
PGA	0.5168	0.5168	0.3413	0.3413
Unauthorized (in addition to interruptible charge)			1.5000	1.5000

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2015
(continued)

Number of customers at year-end:

Residential	5,241
Commercial	879
Industrial	9
Interruptible	7

Department of Sewer

Sewer rates:

Service availability charge per month:

Residential	\$ 17.00
Commercial	25.00
Industrial	25.00
Charge per 1,000 gallons per month	5.50

Number of customers at year-end:

Residential	4,322
Commercial	908
Industrial	20

ATHENS UTILITIES BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred)		Grant Revenues Received	Expenditures	Other	Accrued (Deferred) Grant Revenues June 30, 2015
			Grant Revenues July 1, 2014					
U.S. DEPARTMENT OF HOMELAND SECURITY Passed through TN Emergency Management Agency: Disaster Grants - Public Assistance	97.036	FEMA-4211-DR-TN	\$	-	\$	-	\$	134,087
					\$	134,087	\$	-
Total Federal Awards			\$	-	\$	-	\$	134,087

Note: The Board received federal awards which were below the level requiring the Board to have a "Single Audit" in accordance with OMB Circular A-133, "Audits of States, Local Government, and Non-Profit Organizations" for the year ended June 30, 2015. The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of Athens Utilities Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

**ATHENS UTILITIES BOARD
SCHEDULE OF WATER LOSS
June 30, 2015**

**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v5.0
American Water Works Association.
Copyright © 2014, All Rights Reserved.

? Click to access definition
+ Click to add a comment

Water Audit Report for: Athens Utilities Board
Reporting Year: 2015 7/2014 - 6/2015

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: + ? 10 493.226 MG/Yr
Water imported: + ? 10 496.511 MG/Yr
Water exported: + ? 8 165.544 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value:
1.00% 1.00% MG/Yr
1.00% 1.00% MG/Yr
1.00% 1.00% MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 816.033 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: + ? 10 714.866 MG/Yr
Billed unmetered: + ? 10 1.685 MG/Yr
Unbilled metered: + ? 10 1.685 MG/Yr
Unbilled unmetered: + ? 8 1.685 MG/Yr

Click here: ?
for help using option
buttons below

Pcnt: Value:
1.25% 1.685 MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

AUTHORIZED CONSUMPTION: 716.551 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

99.482 MG/Yr

Apparent Losses

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Unauthorized consumption: + ? 2.040 MG/Yr
Customer metering inaccuracies: + ? 9 0.644 MG/Yr
Systematic data handling errors: + ? 10 0.100 MG/Yr

Pcnt: Value:
0.25% 0.581 MG/Yr

0.09% 0.581 MG/Yr
0.25% 0.100 MG/Yr

Apparent Losses: 2.784 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 96.698 MG/Yr

WATER LOSSES: 99.482 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 101.167 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? 10 314.0 miles
Number of active AND inactive service connections: + ? 10 8,836
Service connection density: 28 conn./mile main

Are customer meters typically located at the curbside or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: + ? 75.0 ft
Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 10 75.0 psi

COST DATA

Total annual cost of operating water system: + ? 10 \$2,644,261 \$/Year
Customer retail unit cost (applied to Apparent Losses): + ? 9 \$2.49 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): + ? 10 \$1,977.59 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 94 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Unauthorized consumption
- 2: Water exported
- 3: Customer metering inaccuracies

ATHENS UTILITIES BOARD SCHEDULE OF WATER LOSS

June 30, 2015
(continued)

AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.
Copyright © 2014. All Rights Reserved.

Water Audit Report for: Athens Utilities Board
Reporting Year: 2015 7/2014 - 6/2015

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 94 out of 100 ***

System Attributes:

Apparent Losses:	2.784	MG/Yr
+	96.698	MG/Yr
=	99.482	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	82.79 MG/Yr
	Annual cost of Apparent Losses:	\$6,932
	Annual cost of Real Losses:	\$191,228

Valued at Variable Production Cost
Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	12.4%
	Non-revenue water as percent by cost of operating system:	7.6%
Operational Efficiency:	Apparent Losses per service connection per day:	0.86 gallons/connection/day
	Real Losses per service connection per day:	N/A gallons/connection/day
	Real Losses per length of main per day*:	843.71 gallons/mile/day
	Real Losses per service connection per day per psi pressure:	N/A gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	96.70 million gallons/year
	? Infrastructure Leakage Index (ILI) [CARL/UARL]:	1.17

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**ATHENS UTILITIES BOARD
LIST OF PRINCIPAL OFFICIALS
June 30, 2015**

Lou Pascarella
Stan Harrison
William Bo Perkinson
Bob Sevigny
Tom Hughes

Chairman
Vice-Chairman
Board Member
Board Member
Board Member

Eric Newberry
Doug Rodgers
Larry Monteen
Sherree Reed
Jill Davis
Wayne Scarbrough
Phil Graves

General Manager
Superintendent of Accounting
Superintendent of Power
Superintendent of Gas
Superintendent of Water/Wastewater
Assistant General Manager
Director of Management Service

Report of Independent Certified Public Accountants
on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in
Accordance With Government Auditing Standards

NEAL, SCOUTEN & McCONNELL, P.C.
Certified Public Accountants

To the Commissioners
Athens Utilities Board
Athens, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities, each of the major funds, and the aggregate remaining fund information, the Pension Trust Fund, of Athens Utilities Board, a component unit of the City of Athens, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Athens Utilities Board's basic financial statements and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Athens Utilities Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Athens Utilities Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Athens Utilities Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Athens Utilities Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Neal, Scouter & McConnell, P.C.

Chattanooga, Tennessee
October 30, 2015

**ATHENS UTILITIES BOARD
SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2015**

FINANCIAL STATEMENT FINDINGS

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2014-001	Controls over Accounting Information Flow	Corrected